

**STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION**

**BLB INVESTORS, L.L.C.  
FACILITY PERMIT TRANSFER APPLICATION  
INVESTIGATORY REPORT**

**WILLKIE FARR & GALLAGHER LLP**

**May 2005**

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## **EXECUTIVE SUMMARY**

In March 2004, the State of Rhode Island, Department of Business Regulation (the “DBR”), the agency that regulates certain businesses in Rhode Island, including greyhound racing facilities, retained Willkie Farr & Gallagher LLP (“Willkie Farr”), an international law firm based in New York, to conduct an investigation, on its behalf, of entities seeking to purchase and operate the Lincoln Park gaming and racing facility located in Lincoln, Rhode Island (“Lincoln Park”).<sup>1</sup>

In May 2004, BLB Investors, L.L.C. (“BLB” or the “Applicant”) emerged as the sole bidder for Lincoln Park and Willkie Farr reviewed the terms of the transaction that BLB proposed with respect to Lincoln Park, and assessed the suitability of BLB and its affiliates to operate a gaming facility, such as Lincoln Park, in the State of Rhode Island.

On behalf of the DBR, Willkie Farr conducted an investigation into the suitability of BLB, its related entities, and its key personnel to operate Lincoln Park in connection with the BLB Application. The investigation had the following distinct components: (i) review of the BLB Offer and the Current Transaction; (ii) review of the BLB Application, Multi-Jurisdictional Personal History Disclosure Forms and other materials submitted and made available by BLB; (iii) review of press and Internet information on key individuals and entities; (iv) inspection of other jurisdictions where key individuals and entities hold gaming licenses, including interviews with regulatory authorities, review of licensing files and, in some cases, inspection of facilities; (v) review of existing operations and BLB plans for development; (vi) retention of a private

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<sup>1</sup> All capitalized terms used herein and not otherwise defined shall have the meanings set forth in Exhibit B.

investigation firm, Nardello Schwartz & Co. ("Nardello"), to perform an independent investigation, including a comprehensive search of criminal records, court records, tax liens and judgments, Uniform Commercial Code filings and regulatory actions as well as consultation with confidential sources in law enforcement, regulatory, financial and business communities with respect to all of the relevant individuals and entities associated with BLB; (vii) personal interviews by Willkie Farr of key individuals associated with BLB; and (viii) review and reliance upon the Representation Letters.

Following completion of a thorough investigation of BLB, Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of BLB's Facility Permit Transfer Application (the "BLB Application").

## I. FACTUAL BACKGROUND AND CHRONOLOGY

### A. INTRODUCTION

The DBR is responsible for regulating and licensing certain Rhode Island businesses, including Lincoln Park.<sup>2</sup> All owners and operators of Lincoln Park must acquire and maintain a facility operation permit (the “Permit”) from the DBR through an application process. The Rhode Island Lottery Commission (the “Lottery Commission”) is responsible for regulating video lottery terminals within the State of Rhode Island. Therefore, pari-mutuel licensees who wish to have video lottery terminals present on their facilities must also seek licensure from the Lottery Commission.<sup>3</sup> In March 2004, the DBR retained Willkie Farr to conduct an investigation, on the DBR’s behalf and in collaboration with certain other State agencies, of any entity that submitted a Facility Permit Transfer Application in connection with a proposed transaction to purchase Lincoln Park from its current owner, Wembley, and thereafter to operate Lincoln Park.

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<sup>2</sup> Lincoln Park, located in Lincoln, Rhode Island, opened in 1947 as a horse racing facility, and in 1977 it was converted into a greyhound track. See Scott Mayerowitz, Slot Revenues Help Hook R.I. on Gambling, Providence Journal, February 13, 2005. Lincoln Park is licensed as a dog racing facility pursuant to R.I. Gen. Laws Section 41-3.1-1 *et seq.* and R.I. Gen. Laws Section 41-9-1 *et seq.* In 1991, the state allowed simulcast races from other tracks nationwide in an effort to increase revenues. In 1992, Lincoln Park introduced electronic gambling, but with limited variety, and in December of 1993, the state allowed video lottery terminals.

In each year since video lottery terminals were introduced at Lincoln Park the track has seen double digit revenue growth. According to Wembley’s 2004 annual report (Lincoln Park’s current owner), Lincoln Park’s average weekly revenue during 2004 was \$5.8 million, and in the first 10 weeks of 2005, average weekly revenue has been \$6 million. The greyhound racing operations resulted in a marginal loss, however. The state currently receives 60.4% of the video lottery terminal revenue generated from Lincoln Park and Lincoln Park is the third largest source of state revenue after income tax and sales tax. According to Wembley’s 2004 Annual Report, the revenue sharing for 2004 was as follows: State - 60.4%, Lincoln Park - 26%, VLT/central system suppliers - 9.5%, Greyhound owners - 2.85% and Town of Lincoln - 1.25%.

<sup>3</sup> See R.I. Lottery Comm. Reg. § 21.2(A).



## B. CHRONOLOGY OF EVENTS

In the spring of 2002, a federal grand jury was convened to investigate charges that Wembley US ordered two Lincoln Park executives to make an illegal multimillion dollar payment to a Rhode Island law firm, McKinnon & Harwood.<sup>4</sup> The grand jury investigation was initiated as a result of a civil lawsuit being filed against Wembley by Francis J. Sherman, the former president of Wembley US, and David G. Brents, the former Chief Financial Officer of Wembley US, who claimed they were fired for refusing to carry out the order. The lawsuit was settled and the parties declined to further discuss the case publicly. The grand jury, however, continued its investigation for any possible criminal liability.

On September 9, 2003, the grand jury returned a 22-count indictment (the “Indictment”) against Daniel Bucci, the Chief Executive Officer of Lincoln Park, Nigel Potter, the Chief Executive Officer of Wembley, and Lincoln Park, Inc. (“LPI”), an indirect wholly owned subsidiary of Wembley and the operator of Lincoln Park, charging that they and certain other unnamed co-conspirators conspired to pay the law firm McKinnon & Harwood a bribe of \$4,500,000 over six years to improperly influence the following legislative decisions: (i) authorization for installation of more than 1,000 additional video lottery terminals at Lincoln Park; (ii) authorization of coin-operated slot machines at Lincoln Park; and (iii) prevention of authorization of a competing Narragansett gambling casino. The Indictment also indicated that Mr. Bucci proposed that Lincoln Park hire certain Rhode Island public officials in return for

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<sup>4</sup> The former Speaker of the House and Pawtucket Representative, John Harwood, is a partner of McKinnon & Harwood.

favors.<sup>5</sup> Mr. Harwood denied using his influence as Speaker of the State of Rhode Island House of Representatives (the “House”) to benefit Lincoln Park.<sup>6</sup> Messrs. Bucci and Potter also denied the charges. Both Messrs. Potter and Bucci went on immediate leave from their jobs at Lincoln Park, and Mr. Potter officially resigned from his executive post at Wembley on September 18, 2003.

In late September 2003, Wembley officers met with Rhode Island Governor Carcieri and offered to open Lincoln Park’s books on a daily basis to an independent supervisor appointed by the Governor. The proposed supervisor would report to the Governor as well as to the DBR and the Lottery Commission.<sup>7</sup>

On or about October 7, 2003, after two meetings with Claes Hultman, the Chairman of the Board of Directors of Wembley, Governor Carcieri indicated that he would not negotiate with Wembley and that he wanted Lincoln Park to be sold to a new owner.<sup>8</sup>

On or about November 20, 2003, Wembley announced that it was in discussions with a number of parties, all of whom expressed an interest in acquiring some or all of Wembley’s assets, particularly Lincoln Park.<sup>9</sup>

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<sup>5</sup> See Indictment issued by the United States District Court, Rhode Island, September 9, 2003.

<sup>6</sup> Katherine Gregg and Liz Anderson, Lincoln Park Pair Accused of Bribery, Providence Journal, September 10, 2003; Scott Van Voorhis, Lincoln Park’s Owners, CEO Accused of Bribery, Boston Herald, September 11, 2003.

<sup>7</sup> Tom Mooney, Wembley Offers to Open Books at Lincoln, Providence Journal, September 24, 2003.

<sup>8</sup> Katherine Gregg and Liz Anderson, Carcieri: Lincoln Park Needs New Owner, Providence Journal, October 8, 2003.

<sup>9</sup> See Wembley confirms bid talks, Wembley Press Release, November 20, 2003.

On January 27, 2004, MGM announced a cash tender offer for the outstanding stock of Wembley under the laws of the United Kingdom. MGM offered Wembley shareholders £7.50 (\$14.25) per Wembley share (the “MGM Offer”) and submitted its Facility Permit Transfer Application to the DBR to transfer the Permit to operate Lincoln Park.<sup>10</sup>

On January 27, 2004, Wembley announced that LPI had entered into an agreement (the “Escrow Agreement”) with the United States Attorney for the District of Rhode Island (the “U.S. Attorney”) to deposit \$8,000,000 into an escrow account (the “Escrow Funds”).<sup>11</sup> The U.S. Attorney and Wembley agreed that the Escrow Funds represented the maximum aggregate fine that would be sought in the event of a conviction of LPI on all counts against it under the Indictment. As part of the Escrow Agreement, the U.S. Attorney also confirmed that, in order to help facilitate a sale of Lincoln Park, he would not object to a transfer of the business of LPI to another Wembley subsidiary.

In March 2004, the DBR retained Willkie Farr to conduct an investigation of MGM, in collaboration with certain other State agencies, in connection with the MGM Offer, its Permit application and the related transfer of the Permit.

On March 30, 2004, BLB announced a cash tender offer (as amended, modified or supplemented by subsequent offers, the “BLB Offer”) to Wembley stockholders of £8.00 (\$15.20) per Wembley share and submitted the BLB Application to the DBR. BLB is a joint venture between Kerzner International, Starwood Capital and Waterford entities and represents a

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<sup>10</sup> See Exhibit C for a full discussion of the MGM Offer.

<sup>11</sup> The Escrow Funds did not represent an acknowledgement of any guilt by LPI, Daniel Bucci or Nigel Potter.

conglomerate of hotel, hospitality and gaming interests.<sup>12</sup> Following the BLB Offer, the DBR directed Willkie Farr to investigate BLB in connection with the BLB Offer, the BLB Application and the related transfer of the Permit.<sup>13</sup>

After a series of additional offers by BLB in April 2004, resulting in an increased offer to Wembley stockholders of £8.60 (\$16.34), MGM announced on May 5, 2004 that it was withdrawing and would allow the MGM Offer to lapse. As a result of MGM's withdrawal, Willkie Farr terminated its investigation of MGM while continuing its investigation of BLB.

On June 24, 2004, the State of Rhode Island Senate (the "Senate") approved legislation calling for a public referendum on whether a consortium comprising Harrah's Entertainment, Inc. and the Narragansett Indians (collectively, the "Harrah's Consortium") should be permitted to establish a casino in Rhode Island.<sup>14</sup> The question to be posed to voters was: "Shall there be a casino in the town of West Warwick operated by an affiliate of Harrah's Entertainment in association with the Narragansett Indian Tribe?" On June 25, 2004, the House also voted in favor of the referendum.<sup>15</sup> On July 1, 2004, however, Governor Carcieri vetoed the referendum legislation.<sup>16</sup>

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<sup>12</sup> See BLB Organizational Chart attached hereto as Exhibit A and Section VI.A for a further discussion of BLB and its composition.

<sup>13</sup> See Exhibit C for a full discussion of the BLB Offer.

<sup>14</sup> Katherine Gregg and Scott Mayerowitz, Senate Votes to Put Casino on Nov. Ballot, Providence Journal, June 25, 2004.

<sup>15</sup> Associated Press, House Adds its OK to Casino Proposal, Providence Journal, June 25, 2004.

<sup>16</sup> Katherine Gregg and Scott Mayerowitz, Carcieri Vetoes Bill Setting Casino Vote, Providence Journal, July 2, 2004.

Following the Governor's veto and a series of extensions of the BLB Offer during May and June of 2004, BLB announced on July 5, 2004 that it was allowing the BLB Offer to lapse, notwithstanding that it had acquired or received acceptances of 83.1% of the outstanding stock of Wembley pursuant to the BLB Offer.<sup>17</sup> In explaining its decision, BLB stated that "the political environment in which Lincoln Park operates has become highly uncertain."<sup>18</sup> Following the lapse of the BLB Offer, Wembley stated that it would continue to explore opportunities to maximize value for its stockholders.

On July 15, 2004, BLB formally requested "to adjourn" the DBR hearing on the BLB Application and the transfer of the Permit that was scheduled for July 19, 2004.<sup>19</sup> Later that day, the DBR announced the postponement of the hearing. Willkie Farr suspended its investigation of BLB at that time, pending further notice from the DBR.

On July 22, 2004, the Lottery Commission announced that notwithstanding BLB's decision to allow the BLB Offer to lapse, BLB was still required to submit to a background investigation in order to obtain the approval of the Lottery Commission's director as a result of its ownership of a significant percentage (22%) of Wembley's stock.<sup>20</sup> The Lottery Commission took no further action in respect of such approval process.

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<sup>17</sup> See Re BLB Offer, Wembley Press Release, July 5, 2004.

<sup>18</sup> See BLB Offer and regulatory update, Wembley Press Release, July 6, 2004.

<sup>19</sup> Scott Mayerowitz, Hearing Postponed for Wembley Suitor, Providence Journal, July 16, 2004.

<sup>20</sup> Scott Mayerowitz, Investors must still undergo background check, state says, Providence Journal, July 22, 2004.

On July 23, 2004 and July 30, 2004, the Senate and the House, respectively, overrode Governor Carcieri's veto thereby allowing the public referendum to be placed before the voters in the November 2004 state election.<sup>21</sup>

On July 27, 2004, the Federal District Court in Rhode Island entered an order rescheduling the trial of Bucci, Potter and LPI in connection with the Indictment until the Court's January 2005 trial calendar.<sup>22</sup>

On August 12, 2004, the Rhode Island Supreme Court issued an advisory opinion on the constitutionality of the referendum, stating that the legislation, and the question posed to voters, were in violation of the Rhode Island constitution, under which casinos must be state-operated.<sup>23</sup> The Harrah's Consortium publicly expressed its intent to continue efforts to develop a casino in the State.<sup>24</sup>

Due to the Supreme Court's advisory opinion and a subsequent temporary restraining order sought by the State and issued by Judge Daniel A. Procaccini on the Superior Court of Rhode Island, the referendum was not placed on the ballot for the November 2004 state election.

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<sup>21</sup> Scott Mayerowitz, Casino Vote Still on Track, Providence Journal, July 24, 2004; Zachary R. Mider, Battle for R.I. Casino Now Moves to the Voters, August 1, 2004

<sup>22</sup> Scott Mayerowitz, Lincoln Park Corruption Trial Delayed, Providence Journal, July 28, 2004.

<sup>23</sup> Daniel Barbarisi, Council plans to delete casino question, Providence Journal, August 18, 2004; Tribe mulls dual path in continued casino quest, Providence Journal, August 25, 2004.

<sup>24</sup> See Update re: Referendum, Wembley Press Release, August 18, 2004.

On February 7, 2005, the BLB Parties expressed renewed interest in Lincoln Park and entered into a stock purchase agreement with the Wembley Parties setting forth the terms and conditions of the acquisition of Wembley US (the “Current Transaction”).<sup>25</sup>

On February 25, 2005, the Federal Court in Rhode Island acquitted LPI of three of the charges against it in the Indictment.<sup>26</sup> The jury was unable to reach verdicts on the other six charges against LPI. Messrs. Potter and Bucci were also acquitted on one of the charges against each of them, although the jury was unable to reach verdicts on the other charges.<sup>27</sup>

On March 2, 2005, Wembley announced that the U.S. Attorney had decided to retry LPI and Messrs. Potter and Bucci on the outstanding charges against them.<sup>28</sup>

On April 7, 2005, Wembley announced the receipt of \$5,000,000 plus interest from the Escrow Funds and confirmation that the maximum fine now potentially payable by LPI in the event of a conviction on all remaining charges is \$3,000,000.<sup>29</sup>

On April 7, 2005, BLB submitted an amended BLB Application to the DBR and requested that the BLB Application be returned to active status. In April and May of 2005, Willkie Farr resumed and completed its investigation of BLB.

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<sup>25</sup> See Section III for a detailed discussion of the Current Transaction.

<sup>26</sup> In September 2004, a grand jury in Rhode Island issued a superseding indictment, which replaced the indictment issued in September 2003. The superseding indictment contained 16 charges (previously 22), of which 10 were against LPI. Otherwise, the substance of the charges against LPI remained broadly the same. The trial on these commenced on January 31, 2005.

<sup>27</sup> See RE: Trial, Wembley Press Release, February 25, 2005.

<sup>28</sup> See Rhode Island Court Case Update, Wembley Press Release, March 2, 2005.

<sup>29</sup> See US Sale Update, Wembley Press Release, April 7, 2005.

On April 27, 2005, a pre-hearing conference on BLB's Application was held with Hearing Officer Catherine R. Warren. At the conference, the hearing was set for May 24, 2005 at 9:00 a.m. Additional matters discussed at the pre-hearing conference included the advertisements in the Providence Journal and the Pawtucket Times providing notice of the hearing.



## II. SUMMARY OF WILLKIE FARR INVESTIGATION

### A. RETENTION OF WILLKIE FARR

In March 2004, the DBR retained Willkie Farr to represent it on a variety of issues, including, but not limited to, investigations and due diligence analyses, litigation services and regulatory matters in connection with the protection of the interests of the State of Rhode Island relating to the proposed transfer of the business of Lincoln Park to, and potential licensure of, potential applicants.<sup>30</sup>

Willkie Farr is one of the oldest and most respected law firms providing comprehensive legal services to multinational and domestic corporations and financial institutions in every major industry sector. Willkie Farr also represents sovereign governments and governmental agencies in a host of legal, business and public policy matters. Established in 1888, Willkie Farr has nearly 600 lawyers in key financial centers: New York, Washington D.C., Paris, London, Milan, Rome, Frankfurt and Brussels.

The Willkie Farr team assembled to represent the DBR was led by Daniel D. Rubino. Mr. Rubino is a partner in the Corporate and Financial Services Department of Willkie Farr in New York and has been with the firm for nearly 25 years. Mr. Rubino specializes in mergers and acquisitions, finance and securities, legal and financial investigations, corporate governance and restructurings. He also has extensive experience in gaming industry matters.

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<sup>30</sup> Pursuant to agreements with the applicants, the potential applicants, and not the DBR, paid for the investigation conducted by Willkie Farr as well as the expenses of the investigation undertaken by Rhode Island State Police Sergeant John Flaherty. It is not uncommon for applicants seeking licensure to operating gaming facilities to pay for the necessary background investigations to be conducted by the jurisdiction in which they are seeking a license. *See e.g.*, N.J. Stat. Ann § 5:12-139, Nev. Reg. 4.070(1).

In addition to Mr. Rubino, the Willkie Farr team included Mr. Benito Romano and Mr. Sean Maloney. Mr. Romano is a partner in the Litigation Department of Willkie Farr in New York and specializes in complex criminal and civil litigation, including investigations. Mr. Romano served as U.S. Attorney in the Southern District of New York. Mr. Maloney was a Commissioned Presidential Officer and member of the White House senior staff from 1997-2000. As the President's staff secretary, Mr. Maloney managed the decision-making process in the West Wing, oversaw a staff of 100 professionals, and held exclusive authority to execute decisions on the President's behalf. The Willkie Farr team also included Erin Miller Heins and Michael D. Sherman, associates at the firm.

The Willkie Farr team conducted its investigation of potential licensees on behalf of the DBR, but also in conjunction with the Rhode Island State Police (the "State Police"), the Lottery Commission,<sup>31</sup> and the Department of Administration. Willkie Farr also benefited from the assistance of the Providence law firm, Cameron & Mittleman LLP.<sup>32</sup>

## B. METHODOLOGY

On behalf of the DBR, Willkie Farr conducted an investigation into the suitability of BLB, its related entities, and its key personnel to operate Lincoln Park in connection with the BLB Application. The investigation had the following distinct components:

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<sup>31</sup> The Lottery Commission is responsible for regulating the use of video lottery terminals at facilities in the State of Rhode Island including Lincoln Park. State Police Sergeant John Flaherty conducted a parallel investigation of BLB in coordination with Willkie Farr, the DBR and the Lottery Commission. Sergeant Flaherty has produced an independent confidential law enforcement investigatory report that contains his findings and conclusions.

<sup>32</sup> Cameron & Mittleman LLP, and specifically Barry Hittner and Justin Shay, assisted Willkie Farr with its review of Rhode Island statutes, legislation and the filing of pro hac vice petitions for the Willkie Farr team.

- review of the BLB Offer and the Current Transaction;
- review of the BLB Application, Multi-Jurisdictional Personal History Disclosure Forms and other materials submitted and made available by BLB;
- review of press and Internet information on key individuals and entities;
- inspection of other jurisdictions where key individuals and entities hold gaming licenses, including interviews with regulatory authorities, review of licensing files and, in some cases, inspection of facilities;
- review of existing operations and BLB plans for development;
- retention of Nardello to perform an independent investigation including a comprehensive search of criminal records, court records, tax liens and judgments, Uniform Commercial Code filings and regulatory actions, as well as consultation with confidential sources in law enforcement, regulatory, financial and business communities with respect to all of the relevant individuals and entities associated with BLB;
- personal interviews by Willkie Farr of key individuals associated with BLB; and
- review and reliance upon the Representation Letters.

1. Review of the BLB Offer and the Current Transaction<sup>33</sup>

Willkie Farr reviewed executed copies of the Stock Purchase Agreement, the Commitment Letter and the related fee letter. Additionally, Willkie Farr reviewed drafts of certain of the related closing documents, including the Note and the Lincoln Park Reorganization documents (which included drafts of the assumption agreement, the assignment and distribution agreement and the separation agreement). Willkie Farr was not involved in the negotiation of the documents memorializing the Current Transaction nor did Willkie Farr provide any advice to the parties thereto. The documents were only reviewed for the purposes of Willkie Farr's investigation in connection with the BLB Application.

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<sup>33</sup> Willkie Farr received documentation from BLB through its outside counsel Wolf, Block, Schorr and Solis-Cohen LLP, and specifically from Gilbert Brooks, a partner of the firm.

2. Review of the BLB Application, Multi-Jurisdictional Personal History Disclosure Forms and Other Materials Submitted by BLB

Willkie Farr reviewed the BLB Application and certain other materials provided by BLB. These materials included the BLB Application (as submitted on March 23, 2004 and as amended on April 7, 2005) and Multi-Jurisdictional Personal History Disclosure Forms completed and provided by BLB's key personnel, including Solomon Kerzner, Howard Kerzner, Len Wolman, Barry Sternlicht, Madison Grose, and George Papanier, as well as current Lincoln Park management, Craig Sculos and Michael Cardello.

In connection with the BLB Application and the exhibits submitted therewith, Willkie Farr reviewed the organizational documents of the member companies of BLB, including BLB, BLB Acquisition, BLB WW, BLB Worldwide, Starwood Capital, SOF Management, Starwood Global Opportunity Fund A, Starwood Global Opportunity Fund B, Starwood U.S. Opportunity, SOF Holdings, Starbell, Kerzner International, Kerzner Investments, Kerzner NA, Kerzner BLB, Waterford, Waterford Group, LMW Investments, and Slavik.

Willkie Farr also reviewed certain corporate diligence documents including: internal control and compliance documents, financing documents, acquisition documents, offer documents, organization/formation documents, due diligence documents from the BLB Offer and the Current Transaction, SEC filings for the relevant public entities, pending litigations against the relevant entities, contracts, regulatory documents and press announcements.

3. Review of Press and Internet Information on Key Individuals and Entities

Willkie Farr used the information obtained from the application materials and due diligence documents to perform press and internet searches on BLB's key individuals and

entities at various points throughout the investigation. The relevant results of these searches are further detailed below in Section V.

#### 4. Inspection of Other Jurisdictions

In order to evaluate BLB's suitability to operate Lincoln Park, Willkie Farr traveled to certain jurisdictions where one or more of the key individuals or entities associated with BLB were previously licensed to conduct gaming operations. While in these jurisdictions, Willkie Farr viewed existing operations run by members of BLB as well as the investigatory files relating to BLB held by the licensing agency in the jurisdiction. Willkie Farr also interviewed personnel at the licensing agencies about the status of the BLB members' licenses in the jurisdiction, any problems that arose during the licensing process, and any problems that have arisen since the licensing took place.

Specifically, Willkie Farr visited the following jurisdictions:

<b>Jurisdiction Visited</b>	<b>Date of Visit</b>	<b>Participants</b>
New Jersey	May 12, 2004	Willkie Farr, State Police
Connecticut	May 21, 2004	Willkie Farr, State Police
Colorado	May 26, 2004	Willkie Farr, State Police, DBR
Bahamas	June 2-4, 2004	Willkie Farr, State Police, DBR

In addition to visiting these jurisdictions, Willkie Farr also received and reviewed public document files from licensing agencies in Nevada and the United Kingdom. Documents Willkie Farr reviewed from the United Kingdom included: (1) Kerzner International Code of Best Practice on Gaming and Social Responsibility; (2) Kerzner International UK Security

Manual; (3) Kerzner International UK Reception Manual; (4) Northamptonshire Magistrates' Court order approving the transfer of the gaming license associated with Tanners Casino to Kerzner Northampton Limited; (5) Kerzner Northampton Limited Application for Transfer of Gaming License regarding Tanners Casino; (6) Northamptonshire Magistrates' Court order approving the transfer of the gaming license associated with Tanners Casino to London Clubs (Casinos) Limited; (7) Response to the Kerzner Probity Enquiries from the Gaming Board for Great Britain, August 2003; and (8) Application by London Clubs (Casinos) Limited for Renewal of a Gaming Licence (2003).

Documents Willkie Farr reviewed from the Nevada Gaming Control Board included: (1) transcript of hearing before the Nevada Gaming Control Board, dated March 6, 2002, regarding withdrawal of applications of Sun International Hotels Ltd., for registration as a publicly traded corporation, together with the requests to withdraw all of the related applications which were filed in relation to the possible acquisition of the Desert Inn Hotel and Casino; (2) transcript of hearing before the Nevada Gaming Control Board, dated May 7, 1997, regarding the suitability of Barry Sternlicht as a Director and Controlling Stockholder for Starwood in relation to applications filed for Starwood Lodging Corporation at Hotel Investors Corporation of Nevada; (3) transcript of hearing before the Nevada Gaming Control Board, dated May 22, 1997, regarding the suitability of Barry Sternlicht as a Director and Controlling Stockholder for Starwood in relation to applications filed for Starwood Lodging Corporation at Hotel Investors Corporation of Nevada; and (4) transcript of hearing before the Nevada Gaming Control Board, dated February 19, 1998, regarding the suitability of Barry Sternlicht as an Officer and Director for Starwood Capital, Starwood and ITT Corporation.

Willkie Farr also contacted Louisiana, Iowa, Indiana and Mississippi. Each of these jurisdictions would not allow individuals that were not in law enforcement access to their respective investigatory files. State Police Sergeant John Flaherty, as a law enforcement agent, did receive documentation from Louisiana, Iowa, Indiana and Mississippi. Willkie Farr has relied on Sergeant Flaherty's review of the files from each of these jurisdictions with respect to any information material to our review.

When BLB requested that the BLB Application be returned to active status in April 2005, Willkie Farr and the State Police sought and obtained confirmation from the jurisdictions visited in 2004 that no material changes in the status of the licenses of the key individuals and entities related to BLB had occurred in those jurisdictions.<sup>34</sup> Where appropriate, Sergeant Flaherty reported to Willkie Farr on his findings in this regard.

#### 5. Review of Existing Operations and BLB's Plans for Development

In addition to visiting other jurisdictions, Willkie Farr also visited Lincoln Park on April 14, 2004. Following a four-hour tour that included all areas of the facility, Willkie Farr discussed the current operations with Craig Sculos, who was then the General Manager of Lincoln Park, and Michael Cardello, the Chief Financial Officer. As a follow-up to this meeting, Willkie Farr also conducted personal interviews of Mr. Sculos, now the Chief Executive Officer of Lincoln Park, and Mr. Cardello on May 6, 2005 and reviewed 2004 and 2005 Internal Audit Reports of Lincoln Park. The audit reports covered validations process reviews, marketing process reviews, information center inventory process reviews, human resources process

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<sup>34</sup> Several attempts were made to contact the Bahamas in May 2005 to determine that no material changes in the status of the licenses of the key individuals and entities related to BLB had occurred in the Bahamas.

reviews, fixed asset process reviews, procurement through payables process reviews, and food and beverage reviews.

Willkie Farr also reviewed BLB's plans for development of Lincoln Park both in 2004 and 2005. BLB's current development plan is summarized in BLB's April 7, 2005 presentation to the Senate and is attached hereto as Exhibit D.

6. Retention of Nardello Schwartz & Co.

Willkie Farr retained Nardello, an international private investigation firm, to perform an independent investigation of all relevant individuals and entities involved in the BLB Offer and the Current Transaction.

The principals at Nardello are information and fact-finding specialists, operating in the fields of investigation, due diligence and risk assessment. Daniel Nardello, based in London, is the founder and joint Managing Director of Nardello and was formerly a U.S. Federal Prosecutor in New York. Prior to forming the company, he was Head of European Operations for an international investigative firm. Bart M. Schwartz, joint Managing Director, based in New York, has extensive experience as a trial lawyer and corporate advisor. Mr. Schwartz was founder and Chief Executive Officer of Decision Strategies, a worldwide investigative consulting firm specializing in complex investigations, due diligence, risk assessment, monitorships and security. Mr. Schwartz served under United States Attorney Rudolph Giuliani as the Chief of the Criminal Division in the Southern District of New York, overseeing all financial and business fraud, organized crime and other prosecutions. Also involved in the investigation was Michael Walsh, Nardello's Head of International Investigations. Mr. Walsh joined the firm after a long and distinguished career in the Metropolitan Police at London's Scotland Yard. Mr. Walsh



served with the Metropolitan Police Fraud Squad and the Serious Fraud Office, where he carried out complex and sensitive investigations into international advance fee schemes as well as commodity, charity and investment frauds.

Under guidance from Willkie Farr, Nardello conducted research on the key individuals and entities associated with BLB in both the United Kingdom and the United States. Research in the United Kingdom included an extensive analysis of international press and media, and analysis of UK-registered company filings as well as information obtained from proprietary, commercial and business databases, land registry documents, press and media databases, and the Internet. Nardello also consulted confidential sources in law enforcement, regulatory, financial and business communities. In the United States, research was conducted in nationwide available online public record sources including federal court records, state court civil litigation (state courts were searched nationwide to the extent they were available online), tax liens and judgments (searches were conducted online nationwide to the extent available and included most relevant jurisdictions), Uniform Commercial Code filings, regulatory actions (online searches were conducted to identify legal and regulatory actions, discipline, or sanctions reported by the Securities and Exchange Commission, the National Association of Securities Dealers, the Commodity Futures Trading Commission, the National Futures Association, state securities agencies, and other federal and state regulatory agencies), and criminal records research for the past ten years in the federal courts via the U.S. Judiciary's PACER System (searches were conducted via the most appropriate means, including in person, for criminal records filed in state and local jurisdictions corresponding to addresses).

Nardello also conducted a review of a key Lincoln Park vendor, GTech, and certain key personnel currently employed by Lincoln Park who are expected to continue in the service of BLB.

Nardello produced a series of written reports to Willkie Farr in June and early July of 2004 encompassing its work product. A full list of the individuals and entities investigated is attached hereto as Exhibit E.

When BLB sought to reactivate the BLB Application in April 2005, Willkie Farr again engaged the services of Nardello to supplement and update its research on the key individuals and entities involved in the BLB Offer and Current Transaction. The individuals and entities reviewed in this supplemental report are a subset of the individuals and entities originally researched in 2004. A complete list of the individuals and entities reviewed in this supplemental report is attached here to as Exhibit F. As the entities and individuals researched for the 2005 report were primarily based in the United States, research was focused there and consisted of nationwide searches of available online public records sources. In addition, Nardello completed an extensive analysis of local, national, and international press and media covering material published since its 2004 report, including in Internet news groups. Nardello produced this supplemental written report on May 6, 2005.

## 7. Personal Interviews

Willkie Farr personally interviewed eight key individuals associated with the BLB Application and the transfer of the Permit to operate Lincoln Park. The following is a list of the individuals interviewed:

<b>Name</b>	<b>Title and BLB Affiliation</b>	<b>Interview Date</b>	<b>Interview Location</b>
Len Wolman	Chairman and CEO of Waterford Group; Co-CEO of BLB	June 28, 2004	Providence, RI
George Papanier	COO of BLB	June 28, 2004	Providence, RI
Solomon Kerzner	Chairman of Kerzner International; no management role in BLB	July 1, 2004	London, UK and via videoconference in New York, NY
Howard Kerzner	CEO of Kerzner International; Co-CEO of BLB	July 1, 2004	London, UK and via videoconference in New York, NY
Barry Sternlicht	President and Chief Executive of Starwood Capital <sup>35</sup> ; Chairman of BLB	July 1, 2004	New York, NY
Madison Grose	Senior Managing Director and Co-General Counsel of Starwood Capital; President of BLB	April 25, 2005	New York, NY
Craig Sculos	CEO of Lincoln Park	May 6, 2005	New York, NY
Michael Cardello	CFO of Lincoln Park	May 6, 2005	New York, NY

<sup>35</sup> In May 2005, Starwood announced that Mr. Sternlicht resigned from his position as Executive Chairman of Starwood and will have the title of Founder and Chairman Emeritus going forward.

Topics covered in these interviews included, among other things: the individual's background, previous gaming licenses held and results of licensing investigations, previous gaming facilities owned or managed, relevant litigations or investigations that the individual is or was involved in, genesis of BLB and plans for the acquired entities going forward, any relationship to Wembley or its officers and directors, any relationships with State of Rhode Island public officials or entities, and BLB's specific plans for Lincoln Park. Sergeant Flaherty of the State Police attended each of these interviews and participated in the questioning. Representatives from the DBR attended the 2004 interviews.

#### 8. Representation Letters

In addition to their application materials and interviews, the key BLB individuals also submitted Multi-Jurisdictional Personal History Disclosure Forms.<sup>36</sup> Because nine months passed between the 2004 submissions and interviews and the 2005 re-activation of the BLB Application, Willkie Farr requested that those individuals submit sworn Representation Letters confirming the absence of any material adverse change in their 2004 testimony or personal disclosure forms.

These individuals submitted Representation Letters in May 2005 stating that they had an opportunity to review their Multi-Jurisdictional Personal History Disclosure Forms and other materials previously made available to the DBR and the Lottery Commission in 2004 in connection with the BLB Application and that, as of the date of the Representation Letters'

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<sup>36</sup> Multi-Jurisdictional Personal History Disclosure Forms are detailed forms required of applicants seeking gaming licenses in certain jurisdictions. Rhode Island law does not currently require the submission of the forms in connection with the licensure process, but the principals of BLB agreed to make the forms available to Willkie Farr and the Lottery Commission in order to facilitate the investigation.

submission, there had been no material changes to any of the personal information provided including the information provided during the interviews.

The Representation Letters are attached hereto as Exhibit G.

### III. SUMMARY OF THE CURRENT TRANSACTION

#### A. CURRENT TRANSACTION

On February 7, 2005 in connection with the Current Transaction, the BLB Parties and the Wembley Parties entered into a stock purchase agreement (the “Stock Purchase Agreement”) setting forth the terms and conditions of the purchase by the BLB Parties from Wembley Holdings of all of the shares of Wembley US for consideration of (i) \$339,000,000, subject to adjustment, and (ii) a non-interest bearing promissory note (the “Note”) from BLB made payable to or to the order of Wembley Holdings in the amount of \$116,000,000, subject to adjustment. The Note will be deemed to be received by Wembley Holdings upon the completion of a repurchase by Wembley of the shares of Wembley owned by BLB and at such time, the amount payable by the BLB Parties shall be netted off against the consideration payable for such shares.

Pursuant to the Stock Purchase Agreement, the closing may not occur later than the fifth business day after the completion of certain conditions, including, without limitation, the approval of a long-term revenue sharing arrangement with the State of Rhode Island and the enabling legislation related thereto<sup>37</sup>, the transfer of the gaming and liquor licenses in connection

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The current draft of the enabling legislation, in addition to providing for an 18-year arrangement between the State and BLB, also authorizes the Lottery Commission to enter into a master contract with UTGR, a wholly owned subsidiary of Wembley US, and approves the transfer of the video lottery terminal license held by LPI to UTGR. The legislation further authorizes the Lottery Commission to license UTGR for an additional 1,750 video lottery terminals. UTGR will be allocated 28.85% of revenues from existing terminals and 26% of revenues from the newly authorized terminals.

The current draft of the legislation also calls for the establishment of an advisory committee to make recommendations of steps that would maximize the benefit to the State, State-based businesses and UTGR.

In addition, the current legislation provides that without the prior written consent of the Lottery Commission, no hotel will be constructed or operated at Lincoln Park. Subject to certain exceptions,

with the ownership and operation of Lincoln Park to UTGR, the completion of the Lincoln Park Reorganization, and the receipt of regulatory approval from the Lottery Commission, the DBR and the requisite number of Wembley's shareholders. The Stock Purchase Agreement may be terminated by either the Wembley Parties or the BLB Parties if the closing has not occurred by June 30, 2005.<sup>38</sup>

As a result of the Indictment and pursuant to and in accordance with the Stock Purchase Agreement and the ancillary agreements related thereto, the ownership structure of Lincoln Park, and the Wembley Parties' ownership therein, will be reorganized upon the closing of the Current Transaction (the "Lincoln Park Reorganization"). The Lincoln Park Reorganization will occur as follows:

Pre-Lincoln Park Reorganization:

LPI is a wholly owned subsidiary of UTGR and UTGR is a wholly owned subsidiary of Wembley US. See Exhibit H-1.

Lincoln Park Reorganization:

1. LPI will be merged into LPRI. See Exhibit H-2.

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Lincoln Park may not be marketed as a venue for conventions or events of the type that are part of the target market for the Rhode Island Convention Center.

Importantly, the State agrees in the current draft of the legislation to afford UTGR parity with any gaming facility except those presently existing. The State also agrees to pay costs associated with improving access to and egress from Lincoln Park. The obligations of the State are contingent on completion of the contemplated BLB Transaction.

<sup>38</sup> On April 7, 2005, the parties announced that this date was extended to June 30, 2005 from May 31, 2005. A key condition in the Stock Purchase Agreement is the successful approval of a long term revenue sharing arrangement with the State of Rhode Island and its formal ratification by the Rhode Island State Legislature. The long term revenue sharing enabling legislation was introduced into both the Senate and the House in late March 2005. The Wembley Parties and the BLB Parties agreed that the Stock Purchase Agreement may be terminated by either party if the enabling legislation with respect to a long term revenue sharing arrangement has not been enacted by the Rhode Island State Legislature on or before May 31, 2005 (which date was not extended).

2. LPRI will distribute its business and assets to its immediate holding company, UTGR; and UTGR will assume the liabilities of LPRI other than those related to the Indictment, except that LPRI will retain any balance remaining from the \$8,000,000<sup>39</sup> deposited pursuant to the Escrow Agreement. *See Exhibit H-3.*
3. UTGR will sell its membership interest in LPRI to Wembley for \$1.00. *See Exhibit H-4.*

Post Lincoln Park Reorganization:

Wembley owns LPRI which includes the liabilities associated with the Indictment; all of the business and assets of Lincoln Park other than the Indictment are held by UTGR, a wholly owned subsidiary of Wembley US. *See Exhibit H-5. See also Exhibit H-6* for the Final Post-Closing Organizational Chart.

The purpose of the Lincoln Park Reorganization is to separate certain liabilities from Lincoln Park and LPI, the primary operating entity, including the Indictment. The consummation of the Lincoln Park Reorganization will benefit BLB by enabling it to acquire all of the stock of Wembley US and none of the potential liability associated with the Indictment, which will remain with Wembley. The Lincoln Park Reorganization will benefit Wembley if any amount of the Escrow Funds is not applied to the Indictment liabilities and therefore reverts to Wembley.

BLB projects that over the term of its agreement with the State, the State will receive in excess of \$5 billion. The economic impact is expected to result in additional construction jobs, additional revenue to the town of Lincoln and additional business opportunities for local concerns. BLB predicts that it will maintain and add permanent jobs. BLB also says that it will bring added value to the state as a well-capitalized, good corporate citizen.

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<sup>39</sup> This amount has been decreased to \$3,000,000 following the Federal Court's findings in 2005.



BLB also expects the state to benefit from certain cross-marketing opportunities that are planned. Partnerships with existing hotels are expected to draw out-of-state support and increase revenues for hotel operators. A partnership with the Providence Convention Center would attract group business to Lincoln Park and replace competing facilities as a stop for bus tour programs.

## B. CURRENT TRANSACTION FINANCING

In connection with the Stock Purchase Agreement, on February 8, 2005, BLB Worldwide entered into a Credit Facilities Commitment Letter (the “Commitment Letter”)<sup>40</sup> with the Initial Lenders to finance the Current Transaction, to pay certain related fees and expenses and to provide BLB Worldwide with working capital and capital for general corporate purposes. Each of the Initial Lenders agreed to commit, severally and not jointly, a portion of a senior first priority secured credit facility in the aggregate amount of \$370 million (the “First Priority Credit Facilities”) which will have the benefit of a perfected first priority lien on and security interest in the assets of BLB Worldwide and certain of its subsidiaries (the “Collateral”). Each of the Initial Lenders also agreed to commit, severally and not jointly, a portion of a senior second priority secured credit facility in the amount of \$125 million (the “Second Priority Credit Facility” and, together with the First Priority Credit Facilities, the “Credit Facilities”) which will have the benefit of a perfected second priority lien on and security interest in the Collateral.<sup>41</sup>

The Commitment Letter is terminable upon the occurrence of certain events, including, without limitation, if any event has occurred that in the Initial Lenders’ judgment has

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<sup>40</sup> Willkie Farr requested for review a draft of the loan documentation to be entered into upon the consummation of the Current Transaction. Such draft is not yet available.

<sup>41</sup> For a detailed discussion of the Commitment Letter and the Credit Facilities see Exhibit I.

had a material adverse effect on BLB. The commitments of the Initial Lenders terminate if the credit documents are not executed and delivered by July 31, 2005.

The First Priority Credit Facilities shall consist of a term loan facility in an aggregate principal amount of \$245 million and a revolving credit facility in an aggregate principal amount of \$125 million. The term loan will mature on the sixth anniversary of the closing date and the revolving facility will mature on the fifth anniversary of the closing date. The Second Priority Credit Facility will mature on the seventh anniversary of the closing date. Upon the occurrence of certain events, specified mandatory prepayments and reductions in commitments are required; voluntary prepayments are permitted under certain circumstances.

The table below sets forth the sources and uses of funds in connection with the Current Transaction and the related Credit Facility as provided in the Commitment Letter.<sup>42</sup>

<b><u>Sources and Uses of Funds</u></b> <b>(in millions)</b>			
<b><u>Sources</u></b>		<b><u>Uses</u></b>	
Revolving credit facility <sup>43</sup>	\$0.0	Purchase price	\$455.0
First Priority Term Loan	\$245.0	Fees and expenses	\$36.0
Second Priority Term Loan	\$125.0		
BLB Equity	\$116.0		
Cash on hand	\$5.0		
Total Sources	\$491.0	Total Uses	\$491.0

<sup>42</sup> The total purchase price for the Current Transaction is \$455 million (\$339 million in cash and \$116 million in the form of the Note). BLB has indicated that the \$455 million is allocated as follows: \$20 million is the purchase price of the Colorado assets of Wembley US and \$435 million is the purchase price for Lincoln Park. The \$435 million allocated to the purchase of Lincoln Park plus the \$125 million in working capital from the revolving credit facility, which will not be drawn down until after the consummation of the Current Transaction, equals \$560 million in capital expenditures by BLB for the purchase and enhancement of Lincoln Park. See Exhibit D for an additional discussion of BLB's plans for Lincoln Park as contained in its presentation to the Senate.

<sup>43</sup> Note that no funds will be drawn down from the \$125 million revolving credit facility in connection with the Current Transaction. The revolving credit facility will be available to BLB after the consummation of the Current Transaction for working capital and general corporate purposes.

#### IV. DISCUSSION OF AUTHORITIES

##### A. APPLICABLE RHODE ISLAND REGULATIONS

In making an assessment of BLB's suitability to operate Lincoln Park, Willkie Farr needed to apply a standard by which the Applicant's suitability could be judged. Willkie Farr examined both potentially applicable existing standards provided in Rhode Island statutes and regulations as well as standards provided in statutes and regulations promulgated by other jurisdictions with more fully-developed gaming laws.<sup>44</sup>

##### 1. The DBR

The DBR's Racing and Athletics Division has promulgated regulations governing greyhound racing (the "Greyhound Racing Regulations"). These Greyhound Racing Regulations do not currently include a substantive suitability standard for evaluating applicants, such as BLB, that are seeking to operate a greyhound racing facility. The Greyhound Racing Regulations contain a standard for approving license applications, but this standard appears to apply to licensees such as dog owners, trainers, and agents rather than facility operators. The pertinent language provides that the DBR may refuse to license any applicant who has been refused a license by any other State Racing Commission. The regulations further provide that the DBR may refuse to license any applicant whose previous conduct in Rhode Island or elsewhere in connection with racing is considered by the DBR to have been "objectionable, obnoxious or detrimental to the best interest of racing."<sup>45</sup>

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<sup>44</sup> Willkie Farr is also aware of various gaming-related bills that propose to change gaming regulation in Rhode Island. To date, none have passed.

<sup>45</sup> See R.I. Racing and Athletics Div. Reg. § 38.

## 2. The Lottery Commission

Although the Lottery Commission has no jurisdiction regarding the facility permit transfer of a pari-mutuel license, pari-mutuel licensees who wish to have video lottery terminals at their facilities must also seek approval from the Lottery Commission as Retailers.

In contrast to the DBR, the Lottery Commission has promulgated substantive criteria for approving video lottery “Retailers” within the State. Section 21.6 of the Lottery Commission regulations provides, in sum, that an applicant must be of good character and with reputable background, who will act in accordance with the rules and regulations of the Lottery Commission. The regulation further provides that the applicant must demonstrate adequate financing for the type of business proposed and that the financing must be from reputable sources. The regulations allow, but do not require, the Lottery Commission to deny licensure if an applicant has committed a crime in any jurisdiction, has failed to disclose a material fact or has made an untrue statement of material fact to the Lottery Commission, associates with disreputable persons, or whose past conduct may adversely affect the integrity, security, honesty or fairness of the Lottery Commission.<sup>46</sup>

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<sup>46</sup> The full text of the applicable Lottery Commission regulation reads as follows:

A. An applicant must meet the following qualifications:

(1) The applicant, its officers, directors, shareholders, partners, other owners, principal supervisory employees, its operator or contractor, as applicable, and any person having an interest in the premises are of good character, honesty and integrity;

(2) The applicant, its officers, directors, shareholders, partners, other owners, principal supervisory employees, its operator or contractor, as applicable, and any person having an interest in the premises are persons whose backgrounds, including criminal, civil, and financial records, reputation, and associations do not pose a threat to the public interest of the State or the security and integrity of the Lottery;

## B. OTHER JURISDICTIONS

Because Rhode Island's Greyhound Racing Regulations do not specifically provide a standard to apply when evaluating an application for a facility permit transfer, Willkie Farr has looked to gaming regulations promulgated by other jurisdictions for guidance on

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(3) The applicant demonstrates business ability and experience to establish, operate, and maintain the business for the type of contract for which application is made and for this purpose provides a sworn statement that: (i) it has not entered, and does not intend to enter, into any joint venture, partnership, or teaming agreement in order to fulfill its obligations without approval of the Executive Director, (ii) it has not engaged, and does not intend to engage, any subcontractors without approval of the Executive Director, (iii) it is not acting as a distributor of products manufactured by another entity without prior approval of the Executive Director; (iv) it has not entered, and does not intend to enter now or in the future, into any agreement whereunder the proceeds of any agreements with the Rhode Island Lottery would be shared with one or more other persons or entities, without approval of the Executive Director;

(4) The applicant demonstrates adequate financing for the business proposed under the type of contract for which application is made. The Executive Director shall consider whether financing is from a source that meets the qualifications in subdivisions one (1), two (2), and three (3) of this section and is in an amount to ensure the likelihood of success in the performance of the contract.

B The Commission may deny approval as a Retailer to any pari-mutuel licensee...or any of their respective officers, directors, shareholders, other owners, partners, principal supervisory employees, its operator or contractor, as applicable, who: (1) has been convicted of any crime in any jurisdiction; (2) has been convicted of any gambling offense in any jurisdiction; (3) is subject to a civil judgment based in whole or in part upon conduct which allegedly constituted a crime, which judgment is not subject to appeal; (4) failed to disclose any material fact to the Commission or its authorized Retailers during the background investigation or any subsequent background or security investigation; (5) makes a misstatement or untrue statement of a material fact; (6) associates with persons of known criminal background, or persons of disreputable character that may adversely affect the general credibility, security, integrity, honesty, fairness, or reputation of the Commission; (7) the Commission determines that any aspect of the applicant's past conduct would adversely affect the integrity, security, honesty or fairness of the Commission; (8) in evaluating whether to deny a license based on (1), (2), and (3) above, the Commission may consider the following factors: (i) the nature and severity of the conduct that constituted the offense or crime; (ii) the time that has passed since satisfactory completion of the sentence, probation imposed or payment of fine; (iii) the number of offenses or crimes; and (iv) any extenuating circumstances that affect or reduce the impact of the offense or crime on the security, integrity, honesty and fairness of the Lottery. *See R.I. Lottery Comm. Reg. § 21.6.*

evaluating an applicant such as BLB. The jurisdictions with the most well-developed gaming regulations in this area are Colorado, New Jersey and Nevada.

1. Colorado

Colorado's gaming statutes provide both mandatory criteria for disqualification of an applicant as well as positive standards that an applicant should meet for licensure. The Colorado Gaming Commission has the discretion to grant or deny a license if it finds that any applicant has violated any rules of the Commission, has failed to pay any fees owed, or if the character, financial ability, and experience of each individual applicant or the officers and director of each corporate applicant is such that licensure would not be in the best interests of the state and the racing industry.

The Colorado statutes provide very specific situations in which the Commission may deny license as well as specific situations in which there is mandatory disqualification of the applicant. Scenarios where the Commission has discretion to deny an applicant's license include: failure to follow the rules of the Commission; conviction of a criminal charge or prosecution or pending charges for any felony; fraud, willful misrepresentation, or deceit in racing; ownership or participation in any bookmaking or illegal enterprise; uncertainty regarding good record or good moral character; suspension or revocation of a racing license in another jurisdiction; possession at the racetrack of any device or substance which could alter the performance of a racing animal; involvement with bribery; and participating in any attempt to cause the prearrangement of a race result.<sup>47</sup>

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<sup>47</sup> The full text of the Colorado statutes is set forth as follows:

Business Licenses. (1) Every application for a business license, excluding applications for initial or renewal race meet licenses...shall be made under oath and filed with the Commission and shall set forth such information as the rules of the Commission may require in connection with the application. (2) To determine whether a license shall be granted, the Commission has the right to examine the financial and other records of the applicant and to compel the production of records and documents. (3) The Commission has the discretion to grant or deny a business license if it finds that any applicant or any of the directors, officers or original stockholders of a corporate applicant have violated any of the provisions of this article or any rules of the Commission, or failed to pay any of the sums required under this article, or as it determines, from such application, the character, financial ability, and experience of each individual applicant or the officers and director of each corporate applicant to be for the best interests of the state and the racing industry. See C.R.S. §12-60-504 (2004).

Investigation - denial, suspension, and revocation actions against licensees - unlawful acts. (1) The commission upon its own motion may, and upon complaint in writing of any person shall, investigate the activities of any licensee or applicant within the state or any person upon the premises of any facility licensed pursuant to this article. In addition to its authority under any other provision of this article, the commission may issue a letter of admonition to a licensee, fine a licensee, suspend a license, deny an application for a license, or revoke a license, if such person has committed any of the following violations: (a) Disregarding or violating any provision of this article or any rule promulgated by the commission in the interests of the public and in conformance with the provisions of this article; (b) Been convicted of, or entered a plea of guilty or *nolo contendere* to, a criminal charge under the laws of this or any other state or of the United States, or entered into a plea bargain for acts or omissions that, if committed in Colorado, would have been grounds for discipline in this state. A certified copy of the judgment of the court in which any such conviction occurred shall be presumptive evidence of such conviction in any hearing under this article; (c) Current prosecution or pending charges in any jurisdiction against the applicant, or any of its officers or directors, or any of its general partners, or any stockholders, limited partners, or other persons having a financial or equity interest of five percent or greater in the applicant, for any felony, except that, at the request of the applicant or the person charged, the Commission shall defer decision upon such application during the pendency of such charge; (d) Fraud, willful misrepresentation, or deceit in racing; (e) Failure to disclose to the commission complete ownership or beneficial interest in a racing animal entered to be raced; (f) Misrepresentation or attempted misrepresentation in connection with the sale of a racing animal or other matter pertaining to racing or registration of racing animals; (g) Failure to comply with any order or rulings of the commission, the stewards, the judges, or a racing official pertaining to a racing matter; (h) Ownership of any interest in or participation by any manner in any bookmaking, pool-selling, touting, bet solicitation, or illegal enterprise; (i) Employing or harboring unlicensed persons on the premises of a racetrack; (j) Being a person, employing a person, or being assisted by any person who is not of good record or good moral character; (k) Discontinuance of or ineligibility for the activity for which the license was issued; (l) Being currently under suspension or revocation of a racing license in another racing jurisdiction, or having been subject to disciplinary action by the racing commission or equivalent agency of another jurisdiction for acts or omissions that, if committed in Colorado, would have been grounds for disciplinary action by the racing commission or equivalent agency of another



jurisdiction for acts or omissions that, if committed in Colorado, would have been grounds for discipline in this state; except that this paragraph (l) shall not furnish the basis for the imposition of fines; (m) Possession on the premises of a racetrack of: (i) firearms; or (ii) A battery, buzzer, electrical devise, or other appliance other than a whip which could be used to alter the speed of a racing animal in a race or while working out or schooling; (n) Possession, on the premises of a racetrack, by a person other than a licensed veterinarian of: (i) A hypodermic needle, hypodermic syringe, or other similar device; (ii) Any substance, compound items, or combination thereof of any medicine, narcotic, stimulant, depressant, or anesthetic which could alter the normal performance of a racing animal unless specifically authorized by the commission veterinarian; (o) Cruelty to or neglect of a racing animal; (p) Offering, promising, giving, accepting, or soliciting a bribe in any form, directly or indirectly, to or by a person having any connection with the outcome of a race, or failure to report knowledge of such act immediately to the stewards, the judges, or the commission; (q) Causing, attempting to cause, or participating in any way in any attempt to cause the prearrangement of a race result, or failure to report knowledge of such act immediately to the stewards, the judges, or the commission; (r) Entering, or aiding and abetting the entry of, a racing animal ineligible or unqualified for the race entered; (s) Willfully or unjustifiably entering or racing of any animal in any race under any name or designation other than the name or designation assigned to such animal by and registered with the official recognized registry for that breed of animal, or willfully soliciting, instigating, engaging in or in any way furthering any act by which any racing animal is entered or raced in any race under any name or designation other than the name or designation duly assigned by and registered with the official recognized registry for that breed of animal; (t) Aiding and abetting any person in the violation of any rule of the commission; (u) Racing at a racetrack without having a racing animal registered to race at that racetrack; (v) Being in the premises of a racetrack for which the licensee is required to be licensed without being able to show proof of gainful employment at that racetrack. See C.R.S. §12-60-507 (2004).

License - mandatory disqualification - criteria. (1) The commission shall deny a license to any applicant on the basis of (a) failure of the applicant to prove by clear and convincing evidence that it is qualified in accordance with the provisions of this article, (b) failure of the applicant to provide information, documentation, and assurances required by this article or requested by the commission, failure of the applicant to reveal any fact material to qualification, or the supplying of information which is untrue or misleading as to a material fact pertaining to the qualification criteria, (c) conviction of the applicant, or any of its officers or directors, or any of its general partners, or any stockholders, limited partners, or other persons having a financial or equity interest of five percent or greater in the applicant, of any of the following: (i) any gambling related offense or theft by deception, (ii) any crime involving fraud or misrepresentation committed within ten years prior to the date of the application, (d) current prosecution or pending charges in any jurisdiction against the applicant, or against any person listed in paragraph (c) of this subsection (1) for any of the offenses enumerated in said paragraph (c); except that at the request of the applicant or the person charged, the commission shall defer decision upon such application during the pendency of such charge; (iii) failure to reveal any material information or supplying information which is untrue or misleading as to a material fact, (iv) conviction of the applicant, or any of its officers, directors, general partners, stockholders, limited partners or 5% equity owners

The situations in which the Colorado Gaming Commission must deny a license include: applicant's failure to prove by clear and convincing evidence that it is qualified; failure to reveal any material fact or statement of untrue material fact pertaining to the qualification criteria; conviction for gambling related offenses or theft by deception; crimes of fraud or misrepresentation committed within ten years of the application and current prosecution or pending charges in any jurisdiction for the same offenses.

## 2. New Jersey

The New Jersey Casino Control Act, rather than providing a positive standard that an applicant must meet in order to conduct gaming activities in New Jersey, instead provides a list of disqualification criteria that require an application to be denied.<sup>48</sup>

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of any gambling related offense or theft by deception or any crime involving fraud or misrepresentation within ten years prior to the date of the application or (v) current prosecution or pending charges against the applicant or persons listed above in (iv) for any of the offenses listed above in (iv). See C.R.S. §12-60-507.5 (2004).

<sup>48</sup> The full text of the New Jersey statute reads as follows:

The commission shall deny license to any applicant who is disqualified on the basis of any of the following criteria: (a) failure of the applicant to prove by clear and convincing evidence that the applicant is qualified in accordance with the provisions of this act, (b) failure of the applicant to provide information, documentation and assurances required by the act or requested by the commission, or failure of the applicant to reveal any fact material to qualification, or the supplying of information which is untrue or misleading as to a material fact pertaining to the qualification criteria, (c) the conviction of the applicant, or any person required to be qualified under this act as a condition of a casino license, of any offense in any jurisdiction which would be: (1) Any of the following offenses under the "New Jersey Code of Criminal Justice" as amended and supplemented: all crimes of the first degree, including attempts and conspiracies to commit; manslaughter; aggravated assault which constitutes a crime of the second or third degree; kidnapping; sexual offenses which constitute crimes of the second or third degree; crimes involving arson and related offenses; causing or risking widespread injury or damage; burglary which constitutes a crime of the second degree; theft and related offenses which constitute crimes of the second or third degree; forgery and fraudulent practices which constitute crimes of the second or third degree; bribery and corrupt influence; perjury and other falsification in official matters which constitute crimes of the second or third degree; misconduct in office and abuse in office which constitutes a crime of the second or third degree; manufacturing, distributing or dispensing a controlled dangerous substance or a controlled dangerous

Situations in which the New Jersey Commission must deny an applicant's license include: (a) failure to prove by clear and convincing evidence that the applicant is qualified; failure to provide information requested by the Commission; (b) failure to reveal any material fact or the supplying of untrue information regarding a material fact; (c) conviction of a number of specifically enumerated crimes; (d) current prosecution or pending charges in any jurisdiction

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substance analog which constitutes a crime of the second or third degree; employing a juvenile in a drug distribution scheme; distributing, dispensing or possessing a controlled substance or a controlled substance analog on or within 1000 feet of school property or bus; distribution, possession or manufacture of imitation controlled dangerous substances; acquisition of controlled dangerous substances by fraud; gambling offenses which constitute crimes of the third or the fourth degree; possession of a gambling device; or (2) Any other offense under present New Jersey or federal law which indicates that licensure of the applicant would be inimical to the policy of this act and to casino operations; provided, however, that the automatic disqualification provisions of this subsection shall not apply with regard to any conviction which did not occur within the 10-year period immediately preceding application for licensure and which the applicant demonstrates by clear and convincing evidence does not justify automatic disqualification pursuant to this subsection and any conviction which has been the subject of a judicial order of expungement or sealing; (d) current prosecution or pending charges in any jurisdiction of the applicant or of any person who is required to be qualified under this act as a condition of a casino license, for any of the offenses enumerated in subsection (c) of this section; provided, however, that at the request of the applicant or the person charged, the commission shall defer decision upon such application during the pendency of such charge; (e) the pursuit by the applicant or any person who is required to be qualified under this act as a condition of a casino license of economic gain in an occupational manner or context which is in violation of the criminal or civil public policies of this State, if such pursuit creates a reasonable belief that the participation of such person in casino operations would be inimical to the policies of this act or to legalized gaming in this State. For purposes of this section, occupational manner or context shall be defined as the systematic planning, administration, management, or execution of an activity for financial gain; (f) The identification of the applicant or any person who is required to be qualified under this act as a condition of a casino license as a career offender or a member of a career offender cartel or an associate of a career offender or career offender cartel in such a manner which creates a reasonable belief that the association is of such a nature as to be inimical to the policy of this act and to gaming operations. For purposes of this section, career offender shall be defined as any person whose behavior is pursued in an occupational manner or context for the purpose of economic gain, utilizing such methods as are deemed criminal violations of the public policy of this State; (g) The commission by the applicant or any person who is required to be qualified under this act as a condition of a casino license of any acts which would constitute any offense under subsection (c) of this section, even if such conduct has not been or may not be prosecuted under the criminal laws of this State or any other jurisdiction and such prosecution has been terminated in a manner other than with a conviction; and (h) contumacious defiance by the applicant or any person who is required to be qualified under this act of any legislative investigatory body or other official investigatory body of any state or of the United States when such body is engaged in the investigation of crimes relating to gaming, official corruption or organized crime activity. *See N.J. Stat. Ann. § 5:12-86 (2005).*

for any enumerated offenses; (e) the pursuit of economic gain in an occupational manner which is in violation of the criminal or civil public policies of New Jersey; (f) identification as a career offender or a member of a career offender cartel; (g) commission of acts which would constitute an enumerated offense even if such conduct has not been prosecuted; and (h) defiance of any official investigatory body engaged in the investigation of crimes relating to gaming, official corruption or organized crime activity.

### 3. Nevada

The Nevada Gaming Control Act, contained in the Nevada Revised Statutes, provides criteria that a potential applicant must satisfy in order to obtain a gaming license.<sup>49</sup>

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<sup>49</sup> The full text of the relevant provisions of the Nevada Gaming Control Act provide as follows:

An application to receive a license or to be found suitable must not be granted unless the Commission is satisfied that the applicant is (a) a person of good character, honesty and integrity; (b) a person whose prior activities, criminal record, if any, reputation, habits and associations do not pose a threat to the public interest of the state or to the effective regulation and control of gaming or charitable lotteries, or create or enhance the dangers of unsuitable, unfair or illegal practices, methods and activities in the conduct of gaming or charitable lotteries or in the carrying on of the business and financial arrangements incidental thereto; and (c) in all other respects qualified to be licensed or found suitable consistent with the declared policy of the State. *See Nev. Rev. Stat. § 463.170(2) (2004).*

A license to operate a gaming establishment of an inter-casino linked system must not be granted unless the applicant has satisfied the Commission that (a) the applicant has adequate business probity, competence and experience, in gaming or generally; and (b) the proposed financing of the entire operation is (1) adequate for the nature of the proposed operation, and (2) from a suitable source. Any lender or other source of money or credit which the Commission finds does not meet the standards set forth in subsection (2) may be deemed unsuitable. *See Nev. Rev. Stat. § 463.170(3) (2004).*

The Nevada Gaming Control Act is further clarified by the Regulations of the Nevada Gaming Commission and State Gaming Control Board. These regulations contain the following additional suitability requirements for potential licensees:

(1) No license will be issued for use in any establishment until satisfactory evidence is presented that there is adequate financing available to pay all current obligations and, in addition, to provide adequate working capital to finance opening of the establishment. (2) The commission may require a licensee to

Pursuant to the statute, an application to receive a license or to be found suitable in Nevada must not be granted unless the Nevada Gaming Commission is satisfied that the applicant is a person of good character, honesty and integrity, whose prior activities, criminal record, if any, reputation, habits and associations do not pose a threat to the public interest of the state, or create or enhance the dangers of unsuitable, unfair or illegal practices in the conduct of gaming, and that the applicant is otherwise qualified to be licensed or found suitable. The Nevada statutes further provide that a gaming license must not be granted unless the applicant has satisfied the Commission that the applicant has adequate business probity, competence and experience and that the proposed financing of the entire operation is adequate and from a suitable source.

#### C. STANDARD TO BE APPLIED

Here, in the absence of a specific suitability standard, the Hearing Officer has the authority to determine the suitability of BLB and render a decision based upon whatever standard

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provide security for the payment of future wages, salaries or other obligations, either as a condition precedent to issuance or renewal of any license or at any other time the commission determines that such requirement would be in the public interest. The security required shall be in such form and amount as the commission may from time to time determine. *See Nev. Reg. § 3.050.*

(1) No license, registration, finding of suitability, or approval shall be granted unless and until the applicant has satisfied the commission that the applicant: (a) is a person of good character, honesty, and integrity; (b) is a person whose background, reputation and associations will not result in adverse publicity for the State of Nevada and its gaming industry; and (c) has adequate business competence and experience for the role or position for which application is made. (2) No license, registration, finding of suitability, or approval shall be granted unless and until the applicant has satisfied the commission that the proposed funding of the entire operation shall be (a) adequate for the nature of the proposed operation, and (b) from a suitable source. The suitability of the source of funds shall be determined by the standards enumerated in paragraph 1(a), (b) and (c). *See Nev. Reg. § 3.090.*

she deems appropriate.<sup>50</sup> Willkie Farr has considered the BLB Application and BLB's potential suitability in light of the most stringent of the above-referenced regulations in the course of its investigation.

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<sup>50</sup> See Rules of Practice and Procedure in Admin. Hearings Before the Dep't of Bus. Regulation, §§ 2, 15.

## **V. RESULTS OF INVESTIGATION**

### **A. KEY FINDINGS**

Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

As described above, Willkie Farr conducted an investigation into the suitability of BLB, its related entities and its key personnel to operate Lincoln Park in connection with the BLB Application. This investigation had a number of distinct components and the relevant results are detailed below.

### **B. JURISDICTION VISIT RESULTS**

In order to evaluate the Applicant's suitability to operate Lincoln Park, Willkie Farr traveled to certain jurisdictions where one or more of the members of BLB were previously licensed to conduct gaming operations. While in these jurisdictions, Willkie Farr viewed existing operations run by members of BLB as well as the investigatory files on members of BLB held by the licensing organization in the jurisdiction. Willkie Farr also interviewed personnel at the licensing agencies about the status of the BLB-related licenses in the jurisdiction, any problems that arose during the licensing process, and any problems that have arisen since the licensing took place. The results of these site visits are set forth below.

#### **1. New Jersey**

On May 12, 2004, Willkie Farr representatives traveled to New Jersey, met briefly with regulators and then reviewed the public files on the BLB key individuals licensed

previously in that jurisdiction. State Police Sergeant John Flaherty also traveled to New Jersey and, as a law enforcement officer, was permitted to view non-public files maintained by the jurisdiction. New Jersey maintained files on Solomon Kerzner and Sun International Hotels Ltd. from their 1997 licensure in that state in connection with the Resorts International Hotel, Inc. property in Atlantic City, NJ. New Jersey also maintained files from the 1998 licensure of certain Starwood entities to do business in Atlantic City, NJ.

Documents reviewed included: (1) Report of Division of Gaming Enforcement (the “NJ Division”) to the Casino Control Commission (the “NJ Commission”) in the matter of the petition of Starwood Hotels and Resorts Trust, Starwood and Chess Acquisition Corp. for Interim Authorization and Plenary Qualification as Holding and Intermediary Companies, dated October 1, 1998; (2) Report of the NJ Division to the NJ Commission in the matter of the application of Sun International Hotels Ltd. for Plenary Qualification as a Holding Company of casino licensee Resorts International Hotel, Inc., dated September 2, 1997; (3) Decision and Order: Application of Sun International Hotels Ltd. for plenary qualification as a holding company of casino licensee Resorts International Hotel, Inc., Order no. 97-21-15-A, dated October 22, 1997; and (4) In the matter of NJ Commission re: Application of Sun International Hotels Ltd. (PRN 2139706), Hearing Volumes 1-7.

The NJ Division comprehensively investigated allegations that in or around 1986 Mr. Kerzner paid a bribe to a government official in exchange for exclusive gaming rights in a South African homeland, called the Transkei (the “Transkei Incident”).<sup>51</sup> Charges against Mr.

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<sup>51</sup> Prior investigations into Mr. Kerzner’s background tend to focus on the Transkei Incident. In the late 1980s, extradition charges were brought against Mr. Kerzner by the Transkei military leader, Major General Bantu Holomisa. The charges related to the alleged bribery of Chief George Mantanzima of the Transkei homeland in 1986 to win exclusive gaming rights in the impoverished black homeland of the



Kerzner related to the Transkei Incident were still pending at the time of the New Jersey investigation. They have since been dismissed. During the visit, Willkie Farr met with Deputy Chief, Michael Romano and Supervising Agent Richard Brinkman.

During the course of its investigation, representatives of the NJ Division traveled to South Africa, England and other jurisdictions, reviewed and obtained thousands of pages of documents, and interviewed numerous government officials and private citizens. The NJ Division also conferred with casino regulatory agencies in the Bahamas, Connecticut and other jurisdictions, and with the National Indian Gaming Commission in Washington, D.C. The NJ Division concluded that the bribery allegations did not preclude the issuance of an Interim Casino Authorization. The NJ Commission found that Mr. Kerzner has “clearly and convincingly demonstrated his good character, honesty and integrity” as to the Transkei Incident. Allegations that Mr. Kerzner had made contributions to Nelson Mandela in exchange for Mr. Mandela’s pledge to have the case against Mr. Kerzner closed were also dismissed as without merit.

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Transkei. Mr. Kerzner was pursued by the Transkei attorney general for many years, but the charges were dropped in 1997 (after Mr. Kerzner took the attorney general to court), alleging new information had come to light and a key witness, the middleman who allegedly handled the bribe, had been killed in a car crash. In 1989, Mr. Kerzner admitted to the Harms Commission of Inquiry that money was paid to the Transkei Prime Minister, but claimed that he was the victim of extortion and not the architect of a bribe. *See, e.g.,* John Ashworth, The Corridors of power..., Accountancy Age, December 4, 2003, at 15.

Since 1986, however, Mr. Kerzner has been licensed in numerous jurisdictions where he has operated gaming and other enterprises without a denial, revocation or suspension of any license and without any additional adverse allegations or incidents of this nature. Based on this fact, and an extensive review of the Transkei Incident by regulators in New Jersey, Connecticut, the Bahamas and the United Kingdom, and the nearly 20-year-old nature of the allegations, Willkie Farr, in consultation with the DBR, did not undertake an independent investigation of the Transkei Incident, which would have entailed significant additional time and expense.

Willkie Farr uncovered no information in New Jersey that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

## 2. Connecticut

On Friday, May 21, 2004, Willkie Farr representatives, along with State Police Sergeant John Flaherty, visited the Connecticut Division of Special Revenue (the “CT Division”) in Newington, CT. During the visit, Willkie Farr met with the following individuals: Susan G. Townsley, the Executive Director of the CT Division, Christina M. Buck, a Police Officer of the CT Division, Joseph Peplau, the License and Application Supervisor of the CT Division and a member of the three-member application review committee, and Anne Steiber, an attorney with the CT Division. Willkie Farr spoke with these individuals about the relevant contacts between members of BLB and the State of Connecticut.

The CT Division had various files on Solomon Kerzner, Len Wolman, Kerzner International entities, and Waterford entities in connection with their prior applications and continuing application renewal process for the Mohegan Sun Casino (the “Mohegan Sun”). The CT Division conducted a thorough investigation of these individuals and entities at the outset of the Mohegan Sun project. That investigation was completed in 1996 and included the Connecticut State Police traveling to South Africa, the United Kingdom, and the Bahamas to assess Mr. Kerzner’s background in those jurisdictions. Although that investigation was concluded in 1996, Mr. Kerzner and Mr. Wolman are still required to submit annual financial and tax records to the CT Division and the CT Division runs an annual criminal background

check on these individuals because they continue to receive a passive income stream from Mohegan Sun.

During conversations with representatives of the CT Division, Willkie Farr assessed the current status of the relevant individuals and entities licensed in Connecticut, whether there were any problematic issues that arose during the course of the State's investigation, whether the gaming officials were aware of any pending litigations or investigations against any of the relevant parties, whether other jurisdictions had recently requested access to Connecticut's files, and whether there were other jurisdictions that the gaming officials thought we should visit or people that we should speak with further in assessing BLB's suitability for licensure. The Connecticut officials made a point of informing Willkie Farr that the BLB members that are licensed in their jurisdiction are meticulous about filings and have always cooperated with the CT Division's requests. The CT Division noted that Len Wolman and Alan Angel of Waterford visited the CT Division prior to submitting the BLB Offer to make sure that the status of their Connecticut license would not be jeopardized by any findings in connection with the Indictments. The CT Division was not aware of any pending investigations or litigation against the relevant individuals or entities.

The CT Division allowed Willkie Farr to review its complete files on the Mohegan Sun investigation. Willkie Farr reviewed files on the CT Division's investigation of Trading Cove Associates, Kerzner International, Sun International Hotels Ltd., Slavik, Kerzner Investments, Solomon Kerzner's background investigation files, Len Wolman's background investigation files, Waterford Hotels Group, Inc., and Howard Kerzner's background investigation files.

Willkie Farr uncovered no information in Connecticut that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

3. Colorado

On Wednesday, May 26, 2004, Willkie Farr representatives, along with State Police Sergeant John Flaherty and Chris DerVartanian from the DBR, visited the Colorado Department of Revenue, Division of Racing Events (the "CO Division") in Lakewood, CO. During the visit, Willkie Farr met with Dan Hartman, the Manager of Racing Operations, and Mark Brown, the Manager of Racing Investigations (the "CO Officials"). Willkie Farr spoke with the CO Officials about the relevant contacts between BLB and the State of Colorado and the investigation process that Colorado had undertaken in connection with the BLB Offer. The CO Division had received gaming license applications from Howard Kerzner, Len Wolman, Madison Grose, Barry Sternlicht, Solomon Kerzner and George Papanier in connection with the BLB Offer. Wembley's gaming assets in Colorado consist of three greyhound tracks, one thoroughbred track and an off-track-betting facility.

The CO Officials told Willkie Farr that their primary concern with licensure of BLB concerned operational responsibility of Wembley US and that this information in the application was still incomplete at the time of our visit. The CO Officials also mentioned some concern regarding BLB's lack of experience with racing. The CO Officials stated that they believe BLB is a good applicant and a better option than retaining Wembley. They were reassured by the fact that the members of BLB have been thoroughly investigated in other jurisdictions and ultimately received gaming licenses.

Subsequent to Willkie Farr's meeting with the CO Officials, but prior to the re-activation of the BLB Application in Rhode Island in April 2005, BLB was qualified by the CO Division on July 13, 2004 in connection with the BLB Offer as a 22% (or more) shareholder of Wembley. Additionally, Howard B. Kerzner, Barry Sternlicht, Madison Grose, Len Wolman Solomon Kerzner and George Papanier were individually qualified by the CO Division.

The CO Division investigates background information on businesses and individuals with a financial interest of 10% or more in racing facilities and requesting licensure in the State of Colorado. The checks needed to complete an investigation are as follows: (1) NCIC/CCIC, a national and local state crime reporting agency; (2) NAPRA, a national racing history database agency; (3) Taxes; (4) Employment records; (5) Credit checks for businesses and individuals; (6) Better Business Bureau checks; (7) Motor Vehicle Records; (8) FBI fingerprint; (9) Local police and court records; and (10) personal and professional reference checks.

The CO Division performed the steps listed above on BLB and certain principals and concluded that the background investigation did not disclose any derogatory information that would prohibit them from being approved. The CO Division recommended that BLB's acquisition of 22% (or more) of the stock of Wembley be approved, and that Howard Kerzner, Barry Sternlicht, Len Wolman, Solomon Kerzner, George Papanier and Madison Grose be approved in their individual capacities.

Willkie Farr uncovered no information in Colorado that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render

BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

4. The Bahamas

On June 2-4, 2004, Willkie Farr representatives traveled to the Bahamas, along with State Police Sergeant John Flaherty and Bill DeLuca, from the DBR, to meet with certain members of the Bahamas Gaming Board, including, Bernard K. Bonamy, Secretary of the Gaming Board, Campbell Hepburn, the Deputy Secretary, Ms. Lighthorn, Assistant Secretary to the Board, and Mr. Patton, a Consultant (the "Gaming Board") and representatives of Kerzner International at Kerzner International's Atlantis Resort and Casino ("Atlantis"), including Mr. Lincoln Hercules, Director of Casino Administration and Mr. Richard Waters. This visit included three main components: (1) a meeting with and informal interview of Bahamian gaming officials, as well as a review of their files on Solomon Kerzner and the Kerzner International entities; (2) a site tour of Atlantis, including its casino, with special emphasis on the compliance and control features implemented by Kerzner International; and (3) meetings with Kerzner International executives regarding their policies and procedures and the overall structure of the organization.

During Willkie Farr's meetings with the Gaming Board, Willkie Farr discussed the Gaming Board's investigation of the BLB key individuals licensed previously in that jurisdiction. The Gaming Board had investigated Solomon Kerzner and Kerzner International in connection with the Atlantis project on Paradise Island in 1994. During the conversations with the Gaming Board, Willkie Farr assessed the current status of Mr. Kerzner and Kerzner International's licensure in that jurisdiction, whether there were any problematic issues that arose during the course of the investigation, whether the Gaming Board was aware of any pending

litigations or investigations against any of the relevant individuals or entities within that jurisdiction, whether other jurisdictions had recently requested access to the files, and whether there were other jurisdictions that the Gaming Board thought we should visit or people that we should speak with further in assessing BLB's suitability for licensure.

The Gaming Board was not aware of any adverse information about Kerzner International and also told Willkie Farr that they had recently assisted gaming officials from the United Kingdom with their investigation of Mr. Kerzner and Kerzner International. At the outset of the licensing process in 1993, the Gaming Board had commissioned Dixon Wilson, a United Kingdom-based consulting firm, to do a thorough background investigation of Mr. Kerzner and Kerzner International. That investigation included travel to the United Kingdom, France and South Africa and resulted in a lengthy report to the Gaming Board. The Gaming Board's overall impression of Mr. Kerzner and Kerzner International is that they are good corporate citizens and that the Gaming Board is pleased with the manner in which they are doing business in the Bahamas. The Gaming Board positively recommended Mr. Kerzner to Rhode Island. Notably, Atlantis is the second largest employer in the Bahamas after the government.

Willkie Farr was informed by the Gaming Board that Mr. Kerzner had contacted them about licensure in that jurisdiction as early as 1992 and that the Gaming Board completed their extensive investigation of Mr. Kerzner in 1994. The investigation that the Gaming Board commissioned on Mr. Kerzner focused on four main inquiries: (1) the source of Mr. Kerzner's wealth, (2) Mr. Kerzner's business practices and associates to assess suitability, (3) consideration of the then-pending warrant for his arrest in the Transkei related to the Transkei Incident, and (4) the extent, ownership and management of Mr. Kerzner's assets. The Gaming Board's

investigation ended with the conclusion that Mr. Kerzner was “fit and proper” to control a gaming entity in the Bahamas.

The Gaming Board allowed Willkie Farr to review its files on the initial investigation of Mr. Kerzner and Kerzner International in 1994. Willkie Farr reviewed the following components of the report by Dixon Wilson: (1) the final report on Sun International Hotels Ltd., (2) the final report on Mr. Kerzner, and (3) the appendices and an annex to these reports. The large majority of these reports covered the Transkei Incident. Charges related to the Transkei Incident were pending against Mr. Kerzner at the time of the 1994 Bahamas investigation, but have since been dropped.

Willkie Farr uncovered no information in the Bahamas that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

#### 5. Nevada

Willkie Farr received by mail and reviewed documents from the Nevada Gaming Control Board. Willkie Farr did not travel to this jurisdiction because the Nevada Gaming Control Board does not allow non-employees of the jurisdiction conducting the licensing investigation to access its files. State Police Sergeant John Flaherty and Chris DerVartanian from the DBR did travel to Nevada as employees of the State of Rhode Island. Nevada had files on Starwood and an incomplete investigation of Kerzner International that began in 1999 and was withdrawn when Kerzner International decided not to go through with its business plan in Nevada. Willkie Farr was informed that in addition to the older files on Starwood, Barry



Sternlicht is currently undergoing another review in that jurisdiction. Willkie Farr was not permitted to view files on the pending or withdrawn applications.

Documents Willkie Farr reviewed included: (1) transcript of hearing before the Nevada Gaming Control Board, dated March 6, 2002, regarding withdrawal of applications of Sun International Hotels Ltd., for registration as a publicly traded corporation, together with the requests to withdraw all of the related applications that were filed in relation to the possible acquisition of the Desert Inn Hotel and Casino; (2) transcript of hearing before the Nevada Gaming Control Board, dated May 7, 1997, regarding the suitability of Barry Sternlicht as a Director and Controlling Stockholder for Starwood in relation to applications filed for Starwood Lodging Corporation at Hotel Investors Corporation of Nevada; (3) transcript of hearing before the Nevada Gaming Control Board, dated May 22, 1997, regarding the suitability of Barry Sternlicht as a Director and Controlling Stockholder for Starwood in relation to applications filed for Starwood Lodging Corporation at Hotel Investors Corporation of Nevada; and (4) transcript of hearing before the Nevada Gaming Control Board, dated February 19, 1998, regarding the suitability of Barry Sternlicht as an Officer and Director for Starwood Capital, Starwood and ITT Corporation.

Willkie Farr uncovered no information from Nevada that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application. Likewise, Willkie Farr is aware of no adverse issues uncovered by Sergeant Flaherty or Mr. DerVartanian in their review of this jurisdiction.

6. The United Kingdom

Willkie Farr received by mail and reviewed public documents from the United Kingdom but did not travel to this jurisdiction as the United Kingdom would not allow individuals who are not law enforcement agents access to its investigatory files. Sergeant John Flaherty did travel to this jurisdiction as a law enforcement agent. Documents reviewed included: (1) Kerzner International Code of Best Practice on Gaming and Social Responsibility; (2) Kerzner International UK Security Manual; (3) Kerzner International UK Reception Manual; (4) Northamptonshire Magistrates' Court order approving the transfer of the gaming license associated with Tanners Casino to Kerzner Northampton Limited; (5) Kerzner Northampton Limited Application for Transfer of Gaming License regarding Tanners Casino; (6) Northamptonshire Magistrates' Court order approving the transfer of the gaming license associated with Tanners Casino to London Clubs (Casinos) Limited; (7) Response to the Kerzner International Probity Enquiries from the Gaming Board for Great Britain, August 2003; and (8) Application by London Clubs (Casinos) Limited for Renewal of a Gaming Licence (2003).

Kerzner International was granted a gaming license in the United Kingdom in April 2004.

Willkie Farr uncovered no information from the United Kingdom that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that

would warrant a denial by the DBR of the BLB Application. Likewise, Willkie Farr is aware of no adverse issues uncovered by Sergeant Flaherty in his review of this jurisdiction.<sup>52</sup>

7. Louisiana, Mississippi, Iowa and Indiana

Willkie Farr contacted Louisiana, Iowa, Indiana and Mississippi. Each of these jurisdictions would not allow individuals that were not in law enforcement access to their respective investigatory files. Sergeant John Flaherty, as a law enforcement agent, did receive documentation from Louisiana, Iowa, Indiana and Mississippi. Willkie Farr relied upon Sergeant Flaherty's findings from his review of the files from each of these jurisdictions and, based on his review of the files, Willkie Farr uncovered no information from these jurisdictions that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

C. ASSESSMENT OF KEY INDIVIDUALS

1. Solomon Kerzner

a. Sources Reviewed

Willkie Farr reviewed the BLB Application, Solomon Kerzner's Multi-Jurisdictional Personal History Disclosure Form, the Nardello reports, investigatory files held by New Jersey, Connecticut, the Bahamas, and the United Kingdom, and the results of press and Internet research. Willkie Farr also conducted a personal interview of Mr. Kerzner to assess his suitability.

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<sup>52</sup> This finding was further supported by Nardello, which, using a variety of United Kingdom sources, verified the extensiveness and reliability of the United Kingdom investigation and licensure.

b. Background/Issues

Mr. Kerzner is currently the Chairman of Kerzner International, which is the 100% owner of Kerzner BLB, a 37.5% member of BLB. Mr. Kerzner is not currently slated to be a director or officer of BLB.

Mr. Kerzner is of South African nationality. Originally trained as an accountant, Mr. Kerzner began building hotels in or around 1963 with funding from his accountancy clientele and went on to create Southern Sun hotels in or around 1969. Mr. Kerzner is most famous for having built the Sun City complex in the Bophuthatswana homeland, South Africa, which opened in or around 1979.

In or around 1994, Mr. Kerzner formed Sun International Hotels Ltd. and acquired Paradise Island Resorts in the Bahamas. The Bahamas Gaming Board's investigation of Mr. Kerzner ended with the conclusion that Mr. Kerzner was "fit and proper" to control a gaming entity in the Bahamas. After licensure in the Bahamas, Mr. Kerzner began to develop the very successful property, Atlantis, on Paradise Island.

In or around 1996, Mr. Kerzner applied for licensure in Connecticut in connection with the Mohegan Sun project that he undertook with Len Wolman, under the name of Trading Cove Associates. The Connecticut Gaming Board conducted due diligence on Mr. Kerzner in connection with the Mohegan Sun project in 1996 before granting him a license. Connecticut's investigation centered on the Transkei Incident. As mentioned above, this charge was still pending at the time of Connecticut's investigation but was dropped in 1997.

Mr. Kerzner and Trading Cove Associates have been accused in the press of receiving an excessive share of profits from the Mohegan Sun Casino under the management

contract they negotiated with the Mohegan Tribe.<sup>53</sup> Although there were reports in the press about a U.S. Senate investigation into these allegations, nothing appears to have come of any such investigation and both Mr. Wolman and Mr. Kerzner disputed the press's statement of the facts in their personal interviews.

In 1997, the NJ Commission conducted a year-long probe into Mr. Kerzner and, notwithstanding the Transkei Incident, New Jersey granted Mr. Kerzner a casino license in a 4-0 vote, deciding that the Transkei Incident was an 'aberration' that occurred more than a decade earlier and that Mr. Kerzner had "convincingly demonstrated good character, honesty and integrity."<sup>54</sup> The South African bribery charges and extradition order against Mr. Kerzner were dropped a week before New Jersey was due to make its decision in 1997.<sup>55</sup>

In 2000, a half-complete due diligence check into the moral fitness of Sun International Hotels Ltd. and Mr. Kerzner to operate the Desert Inn Casino in Las Vegas did not raise any material adverse issues according to Steve DuCharme, chairman of the Nevada Gaming Control Board.<sup>56</sup> The Nevada Gaming Control Board questioned former Transkei ruler Bantu

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<sup>53</sup> See e.g., Donald Barlett and James Steele, Who Gets The Money?, Time Magazine, December 16, 2002; Sean Murphy, Report hits Mohegan Sun deal backer's profits called "egregious", Boston Globe, March 8, 2002.

<sup>54</sup> The NJ Commission determined that based on the evidence in the record, Mr. Kerzner committed bribery under NJ Law "by a preponderance of the evidence." However, the NJ Commission acknowledged that it was not its role to decide whether there was sufficient evidence to sustain a finding that Mr. Kerzner "committed bribery beyond a reasonable doubt." The NJ Commission also concluded that Mr. Kerzner had convincingly demonstrated good character as a result of the totality of the facts and the long passage of time since the Transkei Incident. Additionally, the concurring opinion stated that it was fundamentally unfair to apply present New Jersey law to the Transkei Incident, as New Jersey law was not intended to be applied to such a government.

<sup>55</sup> See e.g., Diane Mastrull, Commission Approves New Owner of Resorts Despite CEO's Bribe, The Philadelphia Inquirer, October 23, 1997.

<sup>56</sup> See Simon Barber, Storm clouds across US darken for Kerzner, Business Day (South Africa), March 20, 2000.

Holomisa who referred them to a report he had given to the NJ Commission. The Nevada inquiry was suspended when Mr. Kerzner withdrew from the transaction. DuCharme noted that the Nevada Gaming Control Board has shared its information with other casino regulators.<sup>57</sup>

In 2003, Mr. Kerzner signed an agreement in principle with the US-based Anschutz Entertainment group to develop a Las Vegas-style casino in the Millennium Dome in the United Kingdom. The Gaming Board of Great Britain initiated a full-scale probe of Mr. Kerzner in connection with this license in August 2003. In October 2003, several UK newspapers announced that Mr. Kerzner was under investigation by the UK authorities over allegations of bribery in connection with his plans for the Millennium Dome.<sup>58</sup> In April 2004, however, the investigation concluded and Mr. Kerzner was granted a certificate of consent to operate a casino in Northampton.<sup>59</sup>

Mr. Kerzner has been married four times and is said to have five children, including Howard (a.k.a. Butch) who is the Chief Executive Officer of Kerzner International and one of the Co-Chief Executive Officers of BLB.<sup>60</sup>

### c. Conclusion

No new adverse evidence has arisen with respect to Mr. Kerzner since the other jurisdictions discussed above completed their respective investigations. Importantly, Mr.

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<sup>57</sup> See Simon Barber, Storm clouds across US darken for Kerzner, Business Day (South Africa), March 20, 2000.

<sup>58</sup> See Antony Barnett and Nick Mathiason, Dome savior faces corruption probe: The South African billionaire behind Sun City could be denied a British licence, Observer, October 5, 2003.

<sup>59</sup> This finding was further supported by Nardello, which, using a variety of United Kingdom sources, verified the extensiveness and reliability of the United Kingdom investigation and licensure.

<sup>60</sup> See David Cohen, Will Sol Swoop on Britain's casinos?, The Evening Standard, September 24, 2002.

Kerzner has not been denied a license by any U.S. state or other jurisdiction. Also, the charges relating to the main subject of the other investigations, the Transkei Incident, have now been dropped, although they were still pending at the time of the other investigations.

Jurisdictions that Willkie Farr visited during the investigation were adamant about the fact that Mr. Kerzner has contributed significantly to their economies and their communities and that they consider him a model corporate citizen.

Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render Mr. Kerzner unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

## 2. Howard Kerzner

### a. Sources Reviewed

Willkie Farr reviewed the BLB Application, Howard (“Butch”) Kerzner’s Multi-Jurisdictional Personal Information Disclosure Form, the Nardello reports, the licensure files from the relevant jurisdictions and the results of press and Internet research. Willkie Farr also conducted a personal interview of Mr. Kerzner to assess his suitability.

### b. Background/Issues

Mr. Kerzner is currently Chief Executive Officer of Kerzner International and is the Co-Chief Executive Officer of BLB.

Mr. Kerzner is the son of Solomon Kerzner, and was born in South Africa, but left for the United States to study economics at Stanford University. Mr. Kerzner has recently lived in both the Bahamas and New York City.

Mr. Kerzner has been described in the press as goal-oriented and hard-working. Prior to joining Kerzner International in 1992 as Director of Corporate Development, Mr. Kerzner worked at First Boston and Lazard Freres in New York. Mr. Kerzner is credited with finalizing the \$125 million acquisition of Paradise Island in the Bahamas and leading the negotiations on the Mohegan Sun.<sup>61</sup>

In February 2004, after eight years as president, Mr. Kerzner was elected Chief Executive Officer of Kerzner International, with Solomon Kerzner remaining as Chairman.

Mr. Kerzner has a much lower media profile than his father and most of the press commentary relates to his role as spokesman for Kerzner International rather than his personal activities.

Mr. Kerzner has been reviewed and approved by the gaming commissions in Colorado, the Bahamas and Connecticut.

#### c. Conclusion

Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render Mr. Kerzner unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

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<sup>61</sup> See, e.g., Casino-resort leader still has plans for state, Honolulu Adviser, January 21, 2001.



3. Len Wolman

a. Sources Reviewed

Willkie Farr reviewed the BLB Application, Len Wolman's Multi-Jurisdictional Personal Information Disclosure Form, the Nardello reports, the licensure files held by the State of Connecticut and the results of press and Internet research. Willkie Farr also conducted a personal interview of Mr. Wolman to assess his suitability.

b. Background/Issues

Mr. Wolman is originally from South Africa where he attended hotel school and spent one year in the South African Air Force. In or around 1976, Mr. Wolman came to the United States on a tourist visa and began working for a Holiday Inn in Connecticut. Mr. Wolman then worked at various other hotel chains before managing a Days Inn in Mystic, Connecticut.

In or around 1986, Mr. Wolman joined the Waterford Hotel Group, Inc. He is currently the Chairman and Chief Executive Officer of Waterford and is also an executive in other Waterford entities. There are four main divisions of Waterford: (1) Waterford Management, which manages 28 hotels in 9 states and is currently involved in the Connecticut convention center, (2) Waterford Construction, focused on residential and commercial construction and run by Mr. Wolman's brother, Mark Wolman, (3) Waterford Hospitality Group, which owns 22 hotels and some office buildings, and (4) Waterford Gaming, which was a 50% partner in Trading Cove Associates, which operated the Mohegan Sun. Waterford Group, an investment affiliate of Waterford, is currently a 25% owner of BLB.

Mr. Wolman's first major construction project was the Mohegan Sun. For this project a partnership was formed between Trading Cove Associates and the Mohegan Tribe in 1992. The initial investors in Trading Cove Associates were LMW Investments (a Wolman brothers entity), RJH (an entity formed by Richard Hertz), Slavik (Mr. Wolman's Michigan partners), and Lee Tyrol (through an entity called Leisure Resorts). In 1994, Mr. Kerzner joined Trading Cove Associates as a 50% owner.

There have been reports in the press that the Mohegan Tribal Chairman, Ralph Sturges, received money from Trading Cove Associates during the development and licensure process for Mohegan Sun.<sup>62</sup> According to Mr. Wolman, Trading Cove Associates did make payments to the Tribe which in turn may have paid Mr. Sturges, as the Tribe had a budget funded by Trading Cove Associates and the Tribe paid some full-time employees from that budget.

Mr. Wolman and Trading Cove Associates have also been accused in the press of receiving an excessive share of profits from the Mohegan Sun Casino under the management contract they negotiated with the Mohegan Tribe.<sup>63</sup> Although there were reports in the press about a U.S. Senate investigation into these allegations, nothing appears to have come of any such investigation. Mr. Wolman noted in his interview that there was a series of Boston Globe articles on this subject in 2001 and stated that there was no basis for the allegations contained in the articles. Mr. Wolman reiterated that there were no hidden agreements with respect to the Mohegan Sun project.

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<sup>62</sup> Sean Murphy, Questions on Mohegan Deal Raised, Boston Globe, January 17, 2001.

<sup>63</sup> Sean Murphy, Questions on Mohegan Deal Raised, Boston Globe, January 17, 2001; Sean Murphy, Law Skirted in Mohegan Deal, Former Overseer Says Investors Got \$1 Billion, Boston Globe, May 14, 2001.

Mr. Wolman was approved for a gaming license in Connecticut in connection with Mohegan Sun and continues to file annual renewals in Connecticut.<sup>64</sup> In 2004, Mr. Wolman underwent licensure in Colorado in connection with the BLB Offer and was approved. Mr. Wolman has never had any denials in any jurisdiction.

c. Conclusion

Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render Mr. Wolman unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

4. Madison Farrand Grose

a. Sources Reviewed

Willkie Farr reviewed the BLB Application, Madison Grose's Multi-Jurisdictional Personal Information Disclosure Form, the Nardello reports, the licensure files from the relevant jurisdictions and the results of press and Internet research. Willkie Farr also conducted a personal interview of Mr. Grose to assess his suitability.

b. Background/Issues

Mr. Grose is a Senior Managing Director and Co-General Counsel of Starwood Capital. Mr. Grose is also President of BLB. He is a member of the New York State Bar and an inactive member of the California Bar. Mr. Grose lives in Greenwich, Connecticut.

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<sup>64</sup> During the Connecticut licensing procedure, regulators noted an alleged non-disclosure of a source of funding. According to Mr. Wolman, Connecticut's concern was whether there was someone else who would participate in the revenues and therefore should be licensed. Mr. Wolman said he assured the State that the funding was from Mr. Wolman's cousin, that the cousin would not participate and that the money was a loan. Connecticut ultimately approved Mr. Wolman's licensure.

Mr. Grose was born on October 2, 1953 in Pasadena, California. In 1975, he received a bachelor's degree from Stanford University and in 1978, he received a law degree from the University of California at Los Angeles. After graduating from law school, Mr. Grose joined the firm of Lawler, Felix & Hall, in Los Angeles, California, as a real estate attorney. In or around 1983, he and several other lawyers from Lawler, Felix & Hall started the firm of Pircher, Nichols & Meeks. While the firm is based in Los Angeles, Mr. Grose ran its New York office. Mr. Grose met Barry Sternlicht during this time and in or around 1992, Mr. Grose left Pircher Nichols & Meeks to become a principal in Sternlicht's company, Starwood Capital, which was, at the time, a start-up real estate investment company.

Mr. Grose has represented Starwood Capital in several deals, including the acquisitions of National Golf Properties Inc. and the Westin Hotel chain as well as the acquisition of ITT Corporation. In his capacity as a principal of Starwood Capital, he holds ownership interests in and serves as an officer and/or director of numerous related entities.

Mr. Grose has been reviewed and licensed by gaming commissions in New Jersey, Nevada and Colorado. He has also appeared informally before the gaming commissions in New Jersey and Nevada in connection with routine matters.

#### c. Conclusion

Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render Mr. Grose unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

5. Barry Stuart Sternlicht

a. Sources Reviewed

Willkie Farr reviewed the BLB Application, Barry Sternlicht's Multi-Jurisdictional Personal Information Disclosure Form, the Nardello reports, investigatory files maintained by New Jersey and Nevada, and the results of press and Internet research. Willkie Farr also conducted a personal interview of Mr. Sternlicht to assess his suitability.

b. Background/Issues

Mr. Sternlicht is the President and Chief Executive of Starwood Capital.<sup>65</sup> He lives in Greenwich, Connecticut with his wife and their three children.

Mr. Sternlicht was born on November 27, 1960. He graduated from Brown University in 1982. Mr. Sternlicht joined the New York firm of Miller Tabak Hirsch & Co. as a licensed stock and options trader. In or around 1984, Mr. Sternlicht left Miller Tabak Hirsch & Co. to attend Harvard University. He received a masters in business administration from Harvard in 1986. After graduating from Harvard, Mr. Sternlicht worked at JMB Realty in Chicago. He started at Starwood Capital in or around 1991.

As Chief Executive Officer of Starwood Capital, Mr. Sternlicht played a significant role in the acquisition of ITT Corporation and also in the establishment of the "W" hotel chain. Mr. Sternlicht holds ownership interests in and serves as an officer and/or director of numerous entities affiliated with Starwood Capital.

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<sup>65</sup> In May 2005, Starwood announced that Mr. Sternlicht resigned from his position as Executive Chairman of Starwood and will have the title of Founder and Chairman Emeritus going forward.

During his tenure at Starwood, Mr. Sternlicht's management style has been described in the press as aggressive and impetuous and certain of his colleagues have said that he is difficult to work with.<sup>66</sup>

Mr. Sternlicht has been reviewed and found suitable for licensure by the gaming commissions in Nevada, Mississippi, New Jersey, Colorado and Indiana.

Mr. and Mrs. Sternlicht are members of the honorary board of Kids in Crisis, a charity that provides crisis intervention, counseling, and emergency shelter to children and families in Connecticut. Also, the Sternlichts established a research fellowship in pediatric endocrinology and are active in fundraising for the Junior Diabetes Research Foundation International. In addition, Mr. Sternlicht is on the board of directors of the Committee to Encourage Corporate Philanthropy, the Business Committee for the Arts, Inc., the Juvenile Diabetes Research Foundation International, and the Center for Christian & Jewish Understanding.

#### c. Conclusion

Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render Mr. Sternlicht unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

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<sup>66</sup> See Diane Brady, At Starwood, The CEO Is In The Details, Business Week, November 20, 2000; Starwood's Shooting Star, The Economist, August 25, 2001; Patricia Sellers, Checkout Time, Starwood CEO?, Fortune, April 3, 2000.

6. George Thomas Papanier

a. Sources Reviewed

Willkie Farr reviewed the BLB Application, George Papanier's Multi-Jurisdictional Personal Information Disclosure Form, the Nardello reports, investigatory files retained by New Jersey and Nevada, and the results of press and Internet research. Willkie Farr also conducted a personal interview of Mr. Papanier to assess his suitability.

b. Background/Issues

Mr. Papanier is the Chief Operating Officer of BLB. He lives in Old Lyme, Connecticut.

Mr. Papanier was born on August 24, 1957. In 1979, he received a bachelor's degree from Glassboro State College. He is a certified public accountant licensed in New Jersey. Between his graduation and 1995, Mr. Papanier worked in the finance and accounting departments at a variety of gaming companies, including the Sands Hotel Casino, the Playboy Elsinore Hotel & Casino, the Golden Nugget, Bally's Grand Hotel & Casino, the Trump Plaza Hotel & Casino, and Hemmeter Enterprises.

In 1995, Mr. Papanier joined Sun International Hotels Ltd. as the Chief Financial Officer of that company's Mohegan Sun Casino. It was through this position that Mr. Papanier met Len Wolman and Howard and Solomon Kerzner. In 1997, he became the Chief Operating Officer of the Resorts Casino Hotel (also owned by Sun International Hotels Ltd.) in New Jersey. In this position, Mr. Papanier was responsible for the operation of the facility as well as strategic and tactical planning and oversaw a \$50 million renovation of the site.

In 2000, Mr. Papanier left Sun International Hotels Ltd. to become the Chief Operating Officer of Peninsula Gaming LLC, which owned and operated the Evangeline Downs Racetrack, a facility that combined horse racing, simulcast betting, and slot machines in Louisiana. Mr. Papanier joined BLB in June 2004, at the request of Len Wolman.

Mr. Papanier has been reviewed and approved by the gaming commissions in Iowa, Connecticut, Louisiana, and New Jersey. Mr. Papanier underwent licensure in Colorado in connection with the BLB Offer.

c. Conclusion

Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render Mr. Papanier unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

7. Craig Sculos

a. Sources Reviewed

Willkie Farr reviewed Craig Sculos' Multi-Jurisdictional Personal Information Disclosure Form, the Nardello reports, and the results of press and Internet research. Willkie Farr also conducted a personal interview of Mr. Sculos to assess his suitability.

b. Background/Issues

Craig Sculos was born on September 22, 1963. Mr. Sculos, then the general manager of Lincoln Park, replaced Daniel Bucci as Chief Executive Officer on an interim basis in November 2003. The change took place in order to allow Bucci more time to concentrate on



his defense to the Indictment. Mr. Sculos became the permanent Chief Executive Officer of Lincoln Park in early 2005.

Mr. Sculos currently features in the media mainly in his capacity as spokesman for Lincoln Park, arguing against the Harrah's Consortium's plans to build a casino in West Warwick and, in the event of the development's authorization, pleading for a uniform tax rate.

Prior to his involvement with Lincoln Park, Mr. Sculos was executive director of media relations for the Maryland Jockey Club and director of communications at Pimlico, home of the Triple Crown Preakness Stakes.

Mr. Sculos has had a long association with Daniel Bucci dating back to their time at Suffolk Downs in the late 1980s. From there they both moved to Foxborough Park where they, along with the entire original management team, were let go when thoroughbred racing at the facility failed in 1992. Mr. Sculos was well-respected but was let go because his expertise was in thoroughbred racing.

#### c. Conclusion

Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render Mr. Sculos unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

8. Michael Cardello

a. Sources Reviewed

Willkie Farr reviewed Michael Cardello's Multi-Jurisdictional Personal Information Disclosure Form, the Nardello reports, and the results of press and internet research. Willkie Farr also conducted a personal interview of Mr. Cardello to assess his suitability.

b. Background/Issues

Michael Cardello was born on October 17, 1958. Mr. Cardello is currently the Chief Financial Officer of Lincoln Park. He has a low media profile, appearing mainly as a spokesman for Lincoln Park in joint statements made with Mr. Sculos.

In 1995, a press announcement in a Rhode Island journal stated that Mr. Cardello, then of North Attleboro, was appointed director of finance for Cox Communications' New England operations. These included cable systems in Rhode Island, Connecticut and Massachusetts. He had joined Cox in 1985 as controller for the company's Cranston/Johnston system and later became the system's director of finance.

c. Conclusion

Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render Mr. Cardello unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

## VI. ASSESSMENT OF RELEVANT CORPORATE ENTITIES

The following section summarizes the entities belonging to the BLB group as provided in the BLB Application. Willkie Farr has reviewed corporate documents related to these entities, performed an independent background investigation on these entities with the assistance of Nardello, and has uncovered no significant adverse issues that would negatively impact BLB's suitability for licensure in the State of Rhode Island. Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

### A. BLB Investors, L.L.C., a Delaware limited liability company

BLB is a Delaware limited liability company that filed its certificate of formation on March 1, 2004. BLB's federal employer ID No. is 20-0839057. The principal address of BLB is c/o Starwood Capital, 591 Putnam Avenue, Greenwich, CT 06830. The Second Amended and Restated Limited Liability Company Agreement of BLB is dated as of April 19, 2004 (the "Operating Agreement"). BLB is 37.5% owned by Starbell (an investment affiliate of Starwood Capital), 37.5% owned by Kerzner BLB (an investment affiliate of Kerzner International) and 25% owned by Waterford Group (an investment affiliate of Waterford).<sup>67</sup>

The business, operations and affairs of BLB are managed exclusively by the management committee. Each of Starbell and Kerzner BLB has the ability to designate two representatives to the management committee; Waterford Group may designate one

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<sup>67</sup> See Exhibit A for the BLB Organizational Chart.

representative. The management committee of BLB presently consists of the following individuals:

<u>Name</u>	<u>Title</u>	<u>Designated By:</u>
Barry S. Sternlicht	Chairman	Starbell
Howard Kerzner	Co-Chief Executive Officer	Kerzner BLB
Len Wolman	Co-Chief Executive Officer	Waterford Group
Madison Grose	President	Starbell
George Papanier	Chief Operations Officer	Kerzner BLB

The primary operating purpose of BLB is to engage in all business and investment activities of any nature relating to, or involving, Wembley and its assets.<sup>68</sup> The Operating Agreement provides that no member has the right to withdraw or make demand for withdrawal of the balance reflected in such member's capital account until the full and complete winding up and liquidation of the business of BLB, except as may be provided by the management committee.<sup>69</sup> However, the Operating Agreement provides that BLB may be dissolved at any time at the election of the management committee in writing.

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<sup>68</sup> BLB's proposed plans for Lincoln Park are outlined in BLB's April 7, 2005 presentation to the Senate attached hereto as Exhibit D.

<sup>69</sup> The Operating Agreement contains certain provisions regarding the consummation of the BLB Offer. In particular, if the BLB Offer has not been consummated within the maximum period permitted under UK law, any member may trigger the sale of all the assets of BLB, or unwind BLB, subject to the provisions in the Operating Agreement.

The Operating Agreement provides, in certain instances, for a right of first offer if a member desires to transfer its interest in BLB to a third party. The Operating Agreement also provides for the circumstances surrounding the sale of the company, an initial public offering and certain registration rights.

The table below reflects the initial capital contributions by the members of BLB as per the Operating Agreement:

<b><u>Member</u></b>	<b><u>Initial Capital Contribution</u></b>	<b><u>Initial Percent Ownership</u></b>
Starbell	\$25,162,500	50%
Waterford Group	\$12,581,300	25%
Kerzner BLB	\$12,581,300	25%

Additional capital contributions may be called for from the members from time to time by the management committee of BLB. Such additional capital contributions will always be pro rata to each member's percentage interest. From the time of formation and the initial capital contributions until the present, additional capital contributions have been made by the members as per the Operating Agreement. Additional capital contributions were made by the members in connection with the BLB Offer to allow BLB to purchase the remaining outstanding shares of Wembley (as per certain sale and call option agreements BLB entered into in respect of the BLB Offer). The table below reflects the current ownership of each member of BLB as per the Operating Agreement:

<b><u>Member</u></b>	<b><u>Current Percentage Ownership</u></b>
Starbell	37.5%
Waterford Group	25%
Kerzner BLB	37.5%

If a member fails to make a capital contribution required pursuant to the Operating Agreement (the “Default Amount”), the other members have the following remedies in addition to those under applicable law: (i) to treat their respective capital contributions as a loan to BLB (rather than a capital contribution) and to advance to BLB as a loan to BLB an amount equal to the Default Amount, evidenced by a promissory note, bearing interest at the rate of 20%, but in no event in excess of the highest rate permitted by applicable law (such a note is payable on a first priority basis by BLB from available cash flow and prior to any distributions to any member); and (ii) to make an additional capital contribution to BLB equal to the Default Amount whereupon the percentage interests of the members shall be re-calculated according to a specific formula.

The Operating Agreement contains certain non-compete covenants of its members. Specifically, the members agreed that for a period of six years after the date of the closing of the Current Transaction, that such members will not own, operate, maintain, manage or supervise any gaming concern located in the States of Rhode Island, Massachusetts, Connecticut or Colorado, with certain limited exceptions. Additionally, the members agreed that the neither BLB nor any member has the right by virtue of the Operating Agreement to

participate in or share in any other existing ventures, activities or opportunities of the other members.

If any individual associated with any member is arrested or indicted on a felony by an applicable jurisdiction or becomes the subject of an investigation or has taken some action resulting in the suspension of a gaming license of BLB, the members have agreed to take immediate action to isolate such individual from the management of BLB until such individual is cleared of all charges. Depending on the outcome of such arrest, indictment and/or investigation, the member affiliated with such individual may be required to sell all or a portion of its interest in BLB.

B. BLB Acquisition Corporation Limited, a UK corporation

BLB Acquisition is an indirect wholly owned subsidiary of BLB, incorporated for the specific purpose of BLB Offer and the Current Transaction. BLB Acquisition has not entered into any obligations other than in connection with the BLB Offer or the Current Transaction.

BLB Acquisition was originally formed on February 19, 2004 and called Alnery No. 2412 Limited. On March 22, 2004, Alnery No. 2412 Limited changed its name to BLB Acquisition. The board of directors must at all times consist of two directors nominated by Starbell, one director nominated by Kerzner BLB and one director nominated by Waterford Group. Currently, Barry S. Sternlicht, Madison Grose, Butch Kerzner and Len Wolman are the directors. Barry S. Sternlicht is the Chairman of the Board, Butch Kerzner and Len Wolman are the Co-Chief Executive Officers and Madison Grose is the Secretary.

C. BLB Worldwide, Inc., a Delaware corporation

BLB WW is a wholly owned subsidiary of BLB Acquisition. The Amended and Restated Certificate of Incorporation of BLB WW was filed in Delaware on March 26, 2004. The directors of BLB WW are Barry S. Sternlicht, Butch Kerzner, Len Wolman and Madison Grose. Barry S. Sternlicht is the Chairman of the Board, Butch Kerzner is the Co-Chief Executive Officer with Len Wolman and Madison Grose is the Secretary and President. The principal office of BLB WW is at 591 West Putnam Avenue, Greenwich, CT 06830.

D. BLB Worldwide Holdings, Inc., a Delaware corporation

BLB Worldwide is a wholly owned subsidiary of BLB WW. The Amended and Restated Certificate of Incorporation of BLB Worldwide was filed in Delaware on March 26, 2004. The directors of BLB Worldwide are Barry S. Sternlicht, Butch Kerzner, Len Wolman and Madison Grose. Barry S. Sternlicht is the Chairman of the Board, Butch Kerzner is the Co-Chief Executive Officer, Len Wolman is the Co-Chief Executive Officer and Treasurer, and Madison Grose is the Secretary and President. The principal office of BLB Worldwide is at 591 West Putnam Avenue, Greenwich, CT 06830.

E. Starwood Capital Group Global, L.L.C., a Delaware limited liability company

Starwood Capital is a privately held global investment management firm based in Greenwich, Connecticut that specializes in real estate-related investments on behalf of select private and institutional investor partners.

Starwood Capital specializes in real estate investments on behalf of high net worth families, pension funds and other institutional investors. Since its inception, Starwood Capital has completed over 300 transactions and Starwood Capital and its affiliates have invested



approximately \$2.6 billion of private and institutional capital in transactions representing approximately \$8.0 billion worth of real estate and related assets. Starwood Capital and its affiliates specialize in building businesses around core real estate portfolios, including, without limitation, the recapitalization, reorganization, and expansion of a real estate investment trust into Starwood, a global owner/operator of hotels, with ownership of brands such as Sheraton, Westin, The St. Regis Luxury Collection and “W”; and the acquisition in partnership with affiliates of Goldman Sachs & Co., of National Golf Properties/American Golf Corporation.

Starwood Capital’s affiliates have significant existing real estate holdings in Rhode Island, including: (a) a 290 unit, age-restricted residential development known as the Village at Mount Hope Bay in Tiverton, located on approximately 106 acres, with estimated total project costs exceeding \$175 million and to consist of town houses, condominiums and a marina; (b) the land under a 239,000 square feet multi-family project subject to a 99-year ground lease; (c) approximately 176,000 square feet of retail centers in Pawtucket and Middletown; and (d) approximately 115,000 square feet of industrial and office property in East Providence.

F. SOF-VI Management, L.L.C., a Delaware limited liability company

SOF Management, a Delaware limited liability company, is the general partner of Starwood Global Opportunity Fund A, Starwood Global Opportunity Fund B and Starwood U.S. Opportunity. The general manager of SOF Management is Starwood Capital.

G. Starwood Global Opportunity Fund VI-A, L.P., a Delaware limited partnership

Starwood Global Opportunity Fund A is a limited partnership. The general partner is SOF Management and a limited partner is Barry S. Sternlicht. The address is 591 West Putnam Avenue, Greenwich, CT 06830. Starwood Global Opportunity Fund A amended

its Certificate of Limited Partnership on December 20, 2000 to reflect that its general partner converted from a Connecticut limited liability company into a Delaware limited liability company.

H. Starwood Global Opportunity Fund VI-B, L.P., a Delaware limited partnership

Starwood Global Opportunity Fund B is a limited partnership. The general partner is SOF Management and a limited partner is Barry S. Sternlicht. The address is 591 West Putnam Avenue, Greenwich, CT 06830. Starwood Global Opportunity Fund B amended its Certificate of Limited Partnership on December 20, 2000 to reflect that its general partner converted from a Connecticut limited liability company into a Delaware limited liability company.

I. Starwood U.S. Opportunity Fund VI-D, L.P., a Delaware limited partnership

Starwood U.S. Opportunity is a limited partnership. The general partner is SOF Management and a limited partner is Barry S. Sternlicht. The address is 591 West Putnam Avenue, Greenwich, CT 06830. Starwood U.S. Opportunity amended its Certificate of Limited Partnership on December 20, 2000 to reflect that its general partner converted from a Connecticut limited liability company into a Delaware limited liability company.

J. SOF-VI U.S. Holdings, L.L.C., a Delaware limited liability company

SOF Holdings was formed on October 12, 2000. SOF Holdings was authorized to do business in Connecticut on January 12, 2001 and authorized in California on February 18, 2003. SOF Holdings amended and restated its Limited Liability Company Agreement on June 20, 2001. SOF Holdings is composed of Starwood U.S. Opportunity, Starwood Global Opportunity Fund A, and Starwood Global Opportunity Fund B. SOF Holdings' address is 591

West Putnam Avenue, Greenwich, CT 06830. The percentage interests in SOF Holdings are 74.19% for Starwood Global Opportunity Fund A, 13.75% for Starwood Global Opportunity Fund B and 12.06% for Starwood U.S. Opportunity.

K. Starbell Investors, L.L.C., a Delaware limited liability company

Starbell is a wholly owned subsidiary of SOF Holdings. Starbell was formed on March 1, 2004. Starbell's address is 591 West Putnam Avenue, Greenwich, CT 06830. SOF Holdings is the only member of Starbell.

Starbell owns a 37.5% interest in BLB.

L. Kerzner International Limited, a Bahamian company traded on NYSE

In 2002, Kerzner International changed its name from Sun International Hotels Ltd. to distinguish it from the South African group of that name, with which Solomon Kerzner was no longer involved. Kerzner International is an international developer and operator of destination resorts and casinos. Kerzner International's flagship brand is Atlantis, which includes Atlantis, Paradise Island, a 2,317-room, ocean-themed destination resort located on Paradise Island, the Bahamas. Atlantis is a destination resort featuring three inter-connected hotel towers built around a 7-acre lagoon and a 34-acre marine environment that includes the world's largest open-air marine habitat and is the home to the largest casino in the Caribbean. Kerzner International is listed on the New York Stock Exchange with an equity market capitalization of approximately \$1.35 billion.

In its luxury resort hotel business, Kerzner International manages resort hotels primarily under the One & Only brand. The resorts, featuring some of the top-rated properties in the world, are located in The Bahamas, Mexico, Mauritius, the Maldives and Dubai.

As of December 31, 2004, Kerzner International had consolidated gross assets of approximately \$2.1 billion (2003: \$1.5 billion). For the year ended December 31, 2004, Kerzner International had consolidated net revenues of \$621.1 million (2003: \$558.5 million) and consolidated net income of approximately \$68.1 million (2003: \$71.6 million).

Kerzner International's business address in connection with BLB is 555 Russell Road, Newington, CT 06111. Kerzner International holds a Connecticut gaming license (Reg. No. 800022-01). Kerzner International was formerly licensed by New Jersey as a qualifier of Resorts International Hotels, for the property at 1325 Boardwalk, Atlantic City (property was sold). Kerzner International formerly held a gaming license from Kahnawake Mohawk Indian Nation (license expired). According to the 1997 New Jersey Report, Kerzner International has gaming operations at Paradise Island, Mohegan Sun Casino, Sun Indian Ocean, Sun France, and Atlantic City.

As of March 31, 2005, there were approximately 36,204,771 shares of capital stock outstanding. Baron Capital Group, Inc., World Leisure Group Limited and Istithmar PJSC are the three largest shareholders with each owning 16.2%, 12.5% and 12.4%, respectively, of the outstanding shares.<sup>70</sup> The directors of Kerzner International are: Solomon Kerzner, Peter N.

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<sup>70</sup> As of February 28, 2005, World Leisure Group Limited, an entity controlled by the Kerzner Family Trust, which in turn is controlled by Sol Kerzner, had the right to vote approximately 12.5% of Kerzner International capital stock (which includes 3,995,794 shares of capital stock held by World Leisure Group Limited, 429,030 shares of capital stock over which World Leisure Group Limited has the right to vote through certain proxy arrangements and the 103,870 shares of capital stock subject to currently exercisable options held by the Kerzner Family Trust). As of February 28, 2005, the Kerzner Family Trust, held 853,870 options, all of which were transferred to the trust by Sol Kerzner. Such options consist of (i) 103,870 vested and exercisable options with an exercise price of \$35.00 and an expiration date of January 31, 2007 and (ii) 750,000 unexercisable and unvested options with an exercise price of \$36.86 and an expiration date of December 11, 2010. As of February 28, 2005, Howard Kerzner holds 750,000 unexercisable and unvested options with an exercise price of \$36.86 and an expiration date of December 11, 2010. Sol Kerzner is the Chairman of World Leisure Group Limited.

Buckley, Howard S. Marks, Eric B. Siegel, Heinrich von Rantzau, Howard B. Kerzner and Hamed Kazim. The officers of Kerzner International are: Solomon Kerzner - Chairman, Howard B. Kerzner - Chief Executive Officer, Richard M. Levine - Executive Vice President and General Counsel, and John R. Allison - Executive Vice President and Chief Financial Officer.

M. Kerzner Investments Acquisitions Limited, a British Virgin Islands company

Kerzner Investments is a wholly owned subsidiary of Kerzner International. Kerzner Investments was incorporated in the British Virgin Islands on March 2, 2004. The principal business address is Trident Trust Company, Trident Chambers, PO Box 146, Road Town, Tortola, BVI. Kerzner International owns 100 shares of Kerzner Investments.

Kerzner Investments previously owned a 37.5% interest in BLB. This interest was assigned, along with all of the obligations under the Operating Agreement by Kerzner Investments, and assumed by Kerzner BLB as set forth in the Assignment and Assumption Agreement, dated February 14, 2005, between the two parties and acknowledged by BLB.

N. Kerzner Investments BLB, Inc., a Delaware corporation

Kerzner BLB is a wholly owned subsidiary of Kerzner NA. Kerzner BLB was incorporated on February 11, 2005. The principal business address is c/o Corporation Service Company, 1013 Centre Road, Wilmington, DE 19808.

Kerzner BLB owns a 37.5% interest in BLB.

O. Kerzner International North America, a Delaware corporation

Kerzner NA was incorporated in Delaware and is a holding company which is a wholly owned subsidiary of Kerzner International. It was previously known as Sun International North America, Inc. The corporation has been authorized in New Jersey and Florida.

The company has been used as the vehicle for acquiring stakes in other companies, such as a holding in London Clubs International Plc and owns 50% of Trading Cove Associates, the developer of the Mohegan Sun casino, through its wholly owned subsidiary, Kerzner Investments Connecticut, Inc. In July 2003, Kerzner International announced that it was restating the results of Kerzner NA because of accounting changes at Trading Cove Associates. The accounting adjustments were said to be related to the timing of recognition of certain liabilities owed to Kerzner International, Waterford, and their affiliates.

P. Waterford Group, L.L.C., a Delaware limited liability company

Waterford is an operator and developer of gaming and hospitality properties in the United States. With 27 properties throughout the United States, Waterford has experience operating a variety of properties, including gaming facilities, full-service and resort properties, conference and convention centers, all-suite hotels and limited service properties. One of these properties, which opened in May, 2003, is located in Warwick, Rhode Island and was developed and constructed, and is now owned and managed by affiliates of Waterford.

Since 1986, Waterford has been involved in the development of projects totaling more than \$2.0 billion. Together with the Mohegan Tribe of Indians of Connecticut, Kerzner International and Waterford were responsible for developing the Mohegan Sun. Kerzner International and Waterford managed the Mohegan Sun until December 31, 1999 at which time the Mohegan Tribe agreed to pay Kerzner International and Waterford a percentage of future gross revenues of the Mohegan Sun in exchange for relinquishing their management contract to the Mohegan Tribe. As a result of relinquishing the management contract, Kerzner International and Waterford no longer provide any management services to the Mohegan Sun and only expect

to receive payments for a period of time as consideration for having relinquished the management contract.

As of December 31, 2003, Waterford had consolidated total assets of approximately \$210.6 million (2002: approximately \$163.0 million). For the year ended December 31, 2003, Waterford had consolidated total revenues of approximately \$38.4 million (2002: approximately \$34.6 million) and consolidated net income of approximately \$1.8 million (2002: approximately \$11.2 million).

Waterford's principal address is 914 Hartford Turnpike, Waterford, CT 06385. Waterford was formed on February 24, 1999 and is owned by Slavik (67.7967%) and LMW Investments (33.2033%). Slavik and LMW Investments are partners in Waterford Gaming. They formed Waterford to succeed to their interest in Waterford Gaming. LMW Investments and Slavik made an initial capital contribution of all their respective interests in Waterford Gaming to the capital of Waterford. Waterford is a 100% owner of Waterford Gaming and Waterford Gaming is a 50% owner of Trading Cove Associates and 100% owner of Waterford Gaming Finance Corp.

Q. Waterford Group Investments, LLC, a Delaware limited liability company

Waterford Group is a wholly owned subsidiary of Waterford. Waterford Group was formed on March 23, 2004 and Waterford is the sole member. The offices are at 914 Hartford Turnpike, P.O. Box 715, Waterford, CT 06385.

Waterford Group owns a 25% interest in BLB.

R. LMW Investments, Inc., a Connecticut corporation

LMW Investments was incorporated in Connecticut as a stock corporation on January 25, 1993. The address of LMW Investments is 914 Hartford Turnpike, Waterford, CT 06385. LMW Investments holds a Connecticut gaming services registration (Reg. No. 800010). Len Wolman is a 50% owner of LMW Investments and Mark Wolman is a 50% owner of LMW Investments. LMW Investments is a 32.2033% owner of Waterford.

S. Slavik Suites, Inc., a Michigan corporation

Slavik was incorporated on September 8, 1988 as a Michigan corporation. Slavik has 10,000 Class A voting shares and 40,000 Class B non-voting shares authorized. Slavik holds a Connecticut gaming services registration (Reg. No. 800009). Slavik is owned by: (i) Class A Voting - Stephan F. Slavik and Richard Slavik, Trustees of the Stephan F. Slavik, Sr. Trust U/T/A dated 5/26/87, as amended - 9.3052%; (ii) Class A Voting - Stephan F. Slavik - 2.4724%; (iii) Class A Voting - Richard Slavik - 2.4724%; (iv) Class A Voting - Len Wolman - 2.3750%; (v) Class A Voting - Mark Wolman - 2.3750%; (vi) Class B Non-Voting - Stephan F. Slavik and Richard Slavik, Trustees of the Stephan F. Slavik, Sr. Trust U/T/A, dated 5/26/87, as amended - 33.2500%; (vii) Class B Non-Voting - Edna P. Slavik et al Trustees of the Edna P. Slavik Trust U/T/A dated 6/17/96 - 2.5000%; (viii) Class B Non-Voting - Edna P. Slavik et al. Trustees of the Edna P. Slavik Trust U/T/A dated 6/17/96 - 2.5000%; (ix) Class B Non-Voting - Stephan F. Slavik - 11.875%; (x) Class B Non-Voting - Richard Slavik - 11.875%; (xi) Class B Non-Voting - Len Wolman - 9.5000%; and (xii) Class B Non-Voting - Mark Wolman - 9.5000%. Slavik Suites Inc. is a 67.7967% owner of Waterford.



T. Wembley plc, a UK corporation

Wembley is a track-based gaming business with operations in the United Kingdom and the United States. In the United States, Wembley has operations in the states of Rhode Island and Colorado. Wembley's principal venue in Rhode Island is Lincoln Park. In Colorado, Wembley owns and operates three greyhound racing tracks and one horse racing track, together with an off-track betting operation.

For the year ended December 31, 2004, Wembley reported audited turnover from continuing operations of £94.79 million (\$178.56 million) (2003: £97.9 million (\$184.42 million)) and audited gross profit of £43.5 million (\$81.94 million) (2003: £46.6 million (\$87.78 million)). As at December 31, 2004, Wembley had audited net assets of £184.8 million (\$348.12 million) (2003: £188.0 million (\$354.14 million)).

## **VII. CONCLUSION**

As noted above, Willkie Farr has completed a thorough review of BLB, its key personnel and its related entities on behalf of the DBR. Willkie Farr's investigation began in March 2004, concluded in May 2005 and included a number of distinct components: (i) review of the BLB Offer and the Current Transaction; (ii) review of the BLB Application, the Multi-Jurisdictional Personal History Disclosure Forms and other materials submitted by BLB; (iii) review of press and Internet information on key individuals and entities; (iv) inspection of other jurisdictions where key individuals and entities hold gaming licenses, including interviews with regulatory authorities, review of licensing files and, in some cases, inspection of facilities; (v) review of existing operations and BLB plans for development; (vi) retention of a private investigation firm, Nardello, to perform an independent investigation including a comprehensive search of criminal records, court records, tax liens and judgments, Uniform Commercial Code filings and regulatory actions as well as consultation with confidential sources in law enforcement, regulatory, financial and business communities with respect to all of the relevant individuals and entities associated with BLB; (vii) personal interviews by Willkie Farr of key individuals associated with BLB; and (viii) review and reliance upon the Representation Letters.

In the course of this investigation, Willkie Farr has uncovered no information that under Rhode Island law or regulations, or under the provisions of other established gaming jurisdictions, would render BLB or its key personnel unsuitable to operate Lincoln Park or that would warrant a denial by the DBR of the BLB Application.

Willkie Farr recommends that the DBR's approval of the BLB Application be contingent upon the occurrence of certain conditions relating to the Current Transaction, including:

1. the adoption of enabling legislation related to the long-term revenue-sharing arrangement with the State of Rhode Island;
2. the completion of the Lincoln Park Reorganization;
3. the receipt of regulatory approval from the Lottery Commission;
4. the consummation and closing of the Current Transaction and the other transactions contemplated by the Stock Purchase Agreement; and
5. the approval of the Hearing Officer.

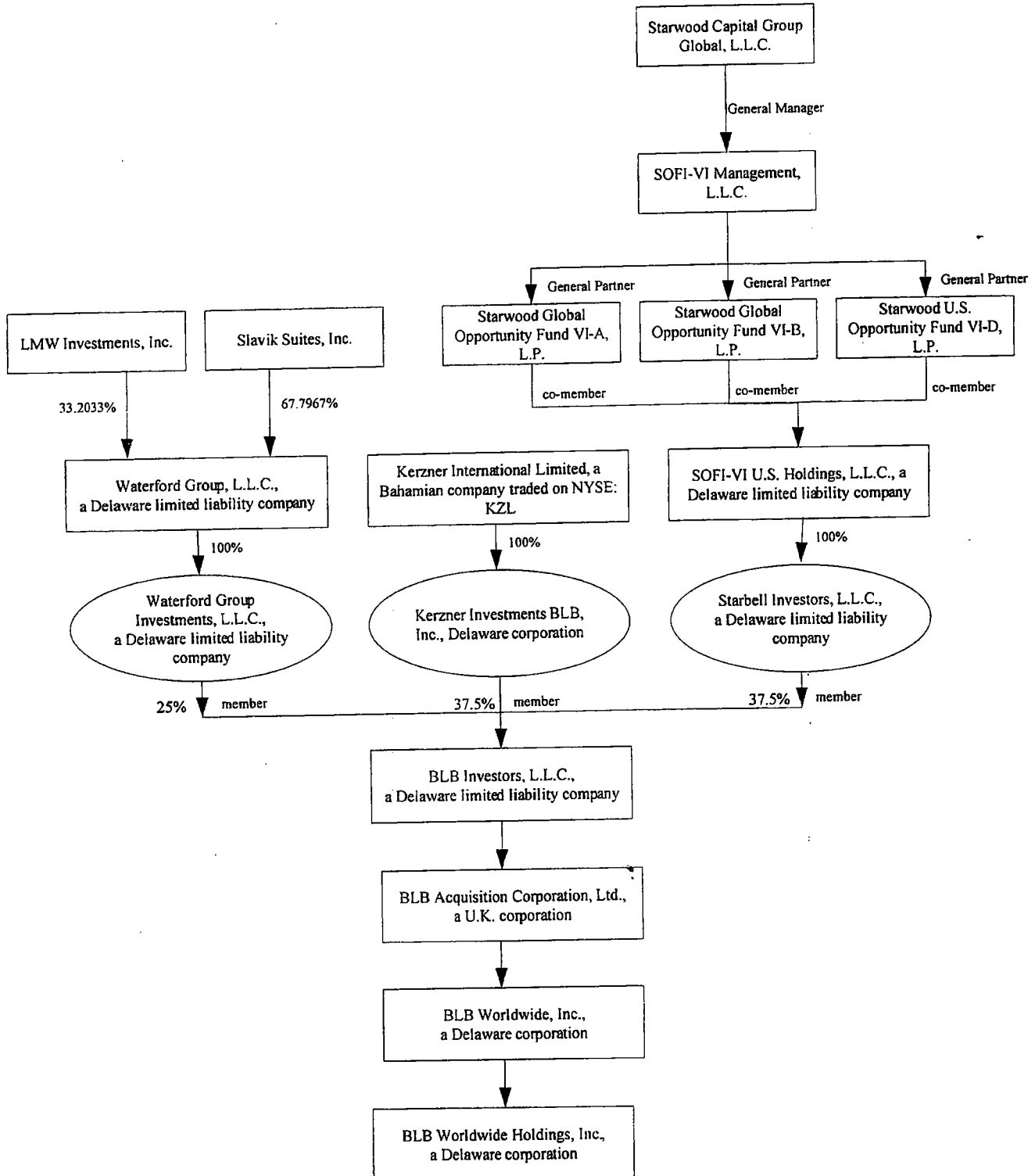
Willkie Farr also recommends that the DBR's approval of the BLB Application be contingent on the following terms and conditions to ensure that operations at Lincoln Park continue to be consistent with the best interests of the State of Rhode Island.

1. BLB and its officers, directors and 5% owners agree to submit to an annual permit renewal process through which they will be subject to criminal background checks and required to affirm that there have been no material adverse changes to their applications on file with the DBR;
2. BLB agrees to continued compliance with the current rules and regulations of the DBR and the Lottery Commission as well as any such rules and regulations that may be promulgated from time to time;
3. BLB agrees to adopt and implement (within 180 days following the closing of the Current Transaction) industry "best practice" codes, standards and procedures relating to the business and operations at Lincoln Park, including, but not limited to, such areas as: accounting and internal controls; financial reporting and audited financial statements; internal audit and compliance; record retention; gaming facility revenue and net terminal income computation; business ethics; personnel and employee policies and practices; cash handling and management; surveillance and security; risk and facility management; asset preservation; corporate governance and legal compliance; vendor and contractor selection; and such other areas as shall be deemed appropriate by the DBR.

4. BLB agrees to submit to periodic examinations by the DBR of the business and operations of Lincoln Park.
5. BLB agrees to grant the DBR access to all books, records, facilities, and personnel of business and operations at Lincoln Park as well as the entities who directly own or operate Lincoln Park;
6. BLB agrees that if a gaming license or permit applied for or granted to BLB or any of its principals in another jurisdiction is revoked or denied, the DBR may revoke or deny BLB's permit in Rhode Island if, after an independent investigation, it agrees with the conclusions reached in the other jurisdiction; provided, however, if the revocation or denial involved a principal of BLB and not BLB itself, and BLB caused the affected principal to completely divest its interest in BLB, and such principal shall no longer be affiliated with BLB through any affiliate or otherwise, then the divestiture of such affected principal shall eliminate the need for an independent investigation by the DBR and the revocation or denial of the divested principal in the other jurisdiction shall not be a basis for the revocation or denial by the DBR of BLB's Permit in Rhode Island;
7. BLB agrees generally to cooperate with the DBR to ensure soundness of the business and operations at Lincoln Park; and
8. BLB agrees to reimburse and pay to the DBR (or to such entities that the DBR may identify) all reasonable costs and expenses associated with the DBR's oversight over and review of the business or operations at Lincoln Park, including such items as ongoing auditing, investigation, veterinarian services and other related matters.

## Exhibit A

### BLB ORGANIZATIONAL CHART



## **EXHIBIT B**

### **DEFINITIONS**

As used in this Report, the following terms and phrases shall have the following meanings:

“Active Value” shall have the meaning set forth in Exhibit C.

“Applicant” shall have the meaning set forth in the Executive Summary.

“April 2004 BLB Proposal” shall have the meaning set forth in Exhibit C.

“Atlantis” shall have the meaning set forth in Section V.A.4.

“BLB” shall have the meaning set forth in the Executive Summary.

“BLB Acquisition” shall mean BLB Acquisition Corporation Ltd.

“BLB Application” shall have the meaning set forth the Executive Summary.

“BLB Offer” shall have the meaning set forth in Section I.B.

“BLB Parties” shall meaning BLB and BLB Worldwide.

“BLB Wembley Shares” shall have the meaning set forth in Exhibit C.

“BLB Worldwide” shall mean BLB Worldwide Holdings, Inc.

“BLB WW” shall mean BLB Worldwide, Inc.

“Casino” shall have the meaning set forth in Section V.A.4.

“CO Division” shall have the meaning set forth in Section V.A.3.

“CO Officials” shall have the meaning set forth in Section V.A.3.

“Collateral” shall have the meaning set forth in Section III.B.

“Commitment Letter” shall have the meaning set forth in Section III.A.

“Credit Facilities” shall have the meaning set forth in Section III.B.

“CT Division” shall have the meaning set forth in Section V.A.2.

“Current Transaction” shall have the meaning set forth in Section I.B.

“Default Amount” shall have the meaning set forth in Section VI.A.

“DBR” shall have the meaning set forth in the Executive Summary.

“Deutsche” shall mean Deutsche Bank Trust Company Americas.

“Escrow Agreement” shall have the meaning set forth in Section I.B.

“Escrow Funds” shall have the meaning set forth in Section I.B.

“First Priority Credit Facilities” shall have the meaning set forth in Section III.B.

“Gaming Board” shall have the meaning set forth in Section V.A.4.

“Greyhound Racing Regulations” shall have the meaning set forth in Section IV.A.1.

“Harrah’s Consortium” shall have the meaning set forth in Section I.B.

“House” shall have the meaning set forth in Section I.B.

“Indictment” shall have the meaning set forth in Section I.B.

“Initial Lenders” shall mean Merrill, Deutsche and JPMorgan.

“JPMorgan” shall mean JPMorgan Chase Bank, N.A.

“Kerzner International” shall mean Kerzner International Limited.

“Kerzner BLB” shall mean Kerzner Investments BLB, Inc.

“Kerzner Investments” shall mean Kerzner Investments Acquisitions Ltd.

“Kerzner NA” shall mean Kerzner International North America.

“Lincoln Park” shall have the meaning set forth in the Executive Summary.

“Lincoln Park Reorganization” shall have the meaning set forth in Section III.A.

“LMW Investments” shall mean LMW Investments, Inc.

“Lottery Commission” shall have the meaning set forth in Section I.B.

“LPI” shall have the meaning set forth in Section I.B.

“LPRI” shall mean LPRI, LLC, a Rhode Island limited liability company.

“Merrill” shall mean Merrill Lynch Capital Corporation.

“MGM” shall mean MGM Mirage.

“MGM Extraordinary General Meeting” shall have the meaning set forth in Exhibit C.

“MGM Offer” shall have the meaning set forth in Section I.B.

“Mohegan Sun” shall have the meaning set forth in Section V.A.2.

“Nardello” shall have the meaning set forth in the Executive Summary.

“NJ Commission” shall have the meaning set forth in Section V.A.1.

“NJ Division” shall have the meaning set forth in Section V.A.1.

“Note” shall have the meaning set forth in Section III.A.

“Operating Agreement” shall have the meaning set forth in Section VI.A.

“Permit” shall have the meaning set forth in Section I.A.

“Revised MGM Proposal” shall have the meaning set forth in Exhibit C.

“Second Priority Credit Facilities” shall have the meaning set forth in Section III.B.

“Senate” shall have the meaning set forth in Section I.B.

“Slavik” shall mean Slavik Suites, Inc.

“SOF Holdings” shall mean SOF-VI U.S. Holdings, L.L.C.

“SOF Management” shall mean SOF-VI Management, L.L.C.

“Starbell” shall mean Starbell Investors, L.L.C.

“Starwood” shall mean Starwood Hotels & Resorts Worldwide, Inc.

“Starwood Capital” shall mean Starwood Capital Group Global, L.L.C.

“Starwood Global Opportunity Fund A” shall mean Starwood Global Opportunity Fund VI-A, L.P.

“Starwood Global Opportunity Fund B” shall mean Starwood Global Opportunity Fund VI-B, L.P.

“Starwood U.S. Opportunity” shall mean Starwood U.S. Opportunity Fund VI-D, L.P.

“State Police” shall have the meaning set forth in Section II.A..

“Stock Purchase Agreement” shall have the meaning set forth in Section III.A.

“Transkei Incident” shall have the meaning set forth in Section V.B.1.

“U.S. Attorney” shall have the meaning set forth in Section I.B.

“UTGR” shall mean UTGR, Inc.



“Waterford” shall mean Waterford Group, L.L.C.

“Waterford Gaming” shall mean Waterford Gaming Investments, L.L.C.

“Waterford Group” shall mean Waterford Group Investments, L.L.C.

“Wembley” shall mean Wembley plc.

“Wembley Holdings” shall mean Wembley Holdings Ltd.

“Wembley Parties” shall mean Wembley, Wembley Holdings, and Wembley US.

“Wembley US” shall mean Wembley, Inc.

“Willkie Farr” shall have the meaning set forth in the Executive Summary.

## EXHIBIT C

### ADDITIONAL DETAILS OF MGM OFFER AND BLB OFFER

On January 27, 2004, MGM announced the MGM Offer and submitted its Facility Permit Transfer Application to the DBR to transfer the Permit to operate Lincoln Park. Under the MGM Offer, MGM offered Wembley shareholders £7.50 (\$14.25) per Wembley share. The MGM Offer was conditioned upon the approval by 75% of Wembley's shareholders, the completion of the Lincoln Park Reorganization, and the receipt of regulatory clearances from the Lottery Commission, the DBR and other relevant regulators. On February 27, 2004, Wembley notified its shareholders of the MGM Offer and scheduled an Extraordinary General Meeting of shareholders on April 8, 2004, to vote on the MGM Offer (the "MGM Extraordinary General Meeting").

On March 30, 2004, BLB announced the BLB Offer (which includes the April 2004 BLB Proposal) and submitted the BLB Application. Pursuant to the BLB Offer, BLB offered Wembley shareholders £8.00 (\$15.20) per Wembley share. The BLB Offer represented a premium of 6.67% over the MGM Offer and valued all of the outstanding capital stock of Wembley at approximately £287.3 (\$543) million. The BLB Offer was conditioned upon, among other things, valid acceptances of at least 90% of the Wembley shares to which the BLB Offer related, completion of the Lincoln Park Reorganization and receipt of regulatory clearances from the Lottery Commission, the DBR and other relevant regulators.

By virtue of announcing the BLB Offer, BLB became obligated to purchase from Active Value Fund Managers Limited ("Active Value") a total of 4,921,392 shares of Wembley, representing approximately 14.16% of all the outstanding capital stock of Wembley, pursuant to prior arrangements. Together with its then existing ownership of 2,811,102 shares BLB effectively acquired control of 7,732,500 shares of Wembley, representing 22.25% of all the outstanding capital stock of Wembley (the "BLB Wembley Shares"). The BLB Offer indicated that if the MGM Extraordinary General Meeting was held, BLB and Active Value would exercise voting rights representing the BLB Wembley Shares against the resolutions to approve the MGM Offer. Notwithstanding the aforementioned events, on April 2, 2004, the Wembley board voted unanimously to adjourn the MGM Extraordinary General Meeting.

On April 8, 2004, MGM announced an increased offer for all of the outstanding capital stock of Wembley, representing a revision of the terms of the MGM Offer (the "Revised MGM Proposal"). Under the terms of the Revised MGM Proposal, Wembley's shareholders would receive £8.40 (\$15.89) per Wembley share.

On April 20, 2004, BLB announced an increased offer for all of outstanding capital stock of Wembley, representing a revision of the terms of the BLB Offer (the "April 2004 BLB Proposal"). Under the terms of the April 2004 BLB Proposal, Wembley's shareholders would receive £8.60 (\$16.20) per Wembley share.

In response to the April 2004 BLB Proposal, on May 5, 2004, MGM announced that it was withdrawing from the bidding, and allowed the Revised MGM Proposal to lapse.

On May 24, 2004, BLB announced that, including the BLB Wembley Shares, BLB had acquired or received valid acceptances under the April 2004 BLB Proposal of 23,144,420 Wembley shares representing approximately 66.6% of all of the outstanding capital stock of Wembley. BLB announced that the April 2004 BLB Proposal would be extended and remain open until 3:00 p.m. on June 5, 2004.

On June 7, 2004, BLB announced that, including the BLB Wembley Shares, BLB had acquired or received valid acceptances under the April 2004 BLB Proposal of 24,741,924 Wembley shares representing approximately 71.2% of all of the outstanding capital stock of Wembley. BLB announced that the April 2004 BLB Proposal would be extended and remain open until 3:00 p.m. on June 19, 2004.

On June 21, 2004, BLB announced that, including the BLB Wembley Shares, BLB had acquired or received valid acceptances under the April 2004 BLB Proposal of 27,050,699 Wembley shares representing approximately 77.8% of all of the outstanding capital stock of Wembley. BLB announced that the April 2004 BLB Proposal would be extended and remain open until 3:00 p.m. on July 3, 2004.

On July 5, 2004, BLB announced that it was allowing the April 2004 BLB Proposal to lapse, notwithstanding that it had acquired or received valid acceptances of 83.1% of all of the outstanding capital stock of Wembley. In explaining its decision, BLB stated that “the political environment in which Lincoln Park operates had become highly uncertain.”

On July 15, 2004, BLB formally requested “to adjourn” the hearing, which was scheduled for July 19, 2004, regarding the BLB Application and the transfer of the Permit. Later that day, the DBR announced the postponement of the hearing.

**EXHIBIT D**

**BLB LINCOLN PARK PROPOSALS**

APRIL 7, 2005

1

BLB INVESTORS, LINCOLN PARK AND THE STATE OF RHODE ISLAND

A Partnership for a Bright Future

# Agenda

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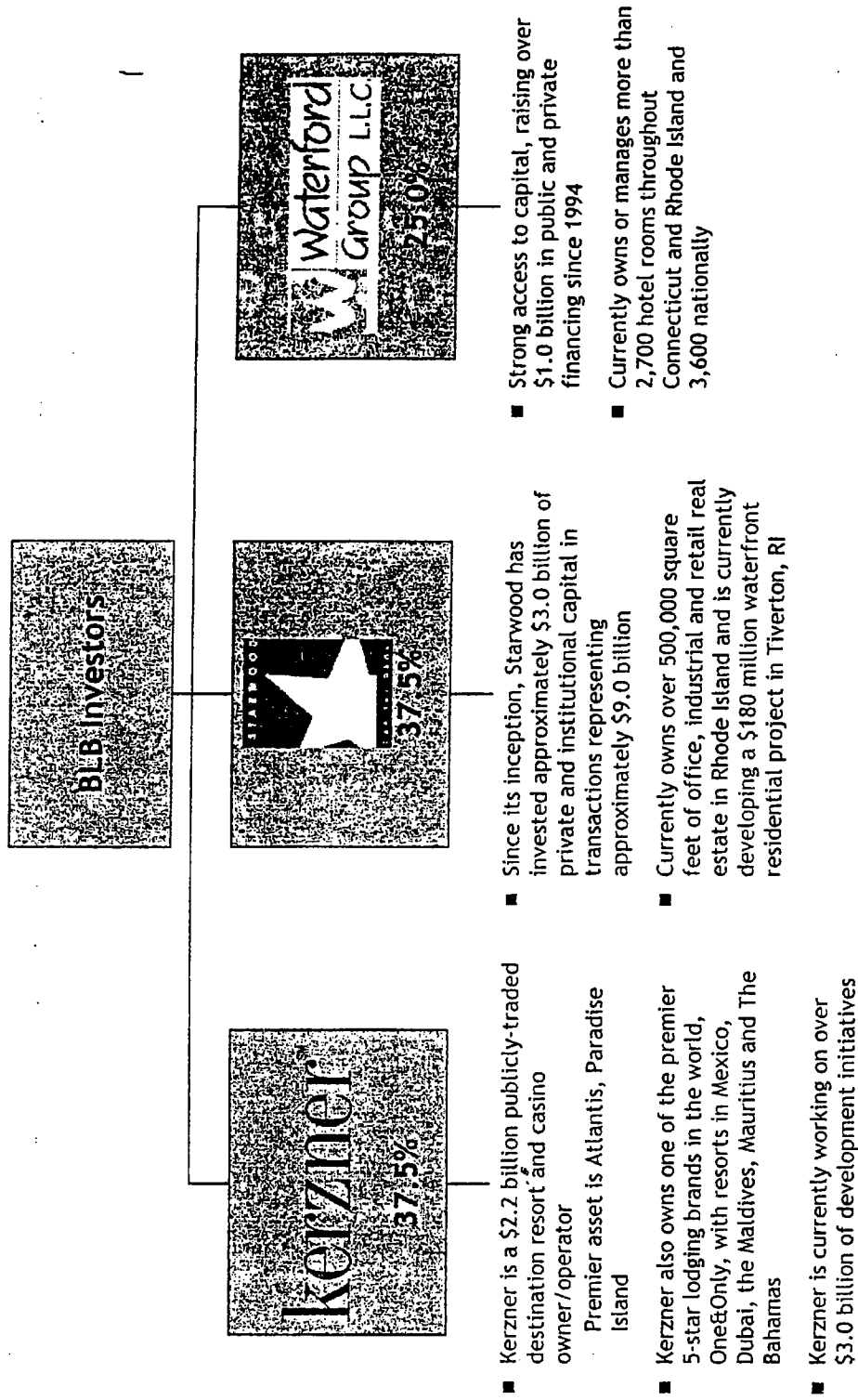
27

Impact to the State of Rhode Island

## Situation update

- In November 2003, Wembley plc sought to establish the fair market value of Lincoln Park through an open market sale process
- In March 2004, after a final competition between BLB Investors and MGM Mirage, BLB entered into an exclusive purchase agreement with Wembley plc
- In July 2004, the pending Wembley transaction fell apart as BLB allowed its offer to lapse under the U.K. takeover code
- BLB Investors is the largest shareholder of Wembley and currently owns a 22% stake
- Alternative facilities with more attractive amenities in other states continue to capture revenue that could have gone to the State of Rhode Island
- Over this time, BLB has continued to express an interest in working with the State of Rhode Island to structure a long-term agreement that will secure benefits for all parties
- In February, 2005, Wembley and BLB entered into a purchase agreement for Wembley's US operations, including Lincoln Park, conditioned upon, among other matters, the achievement of a long-term Revenue Sharing Agreement with the State of Rhode Island for Lincoln Park.

BLB Investors is comprised of three established operators in the real estate, gaming and lodging industry . . .



■ Kerzner and Waterford were jointly responsible for the development of the Mohegan Sun in Uncasville, CT, one of the most successful projects of its kind in the world.



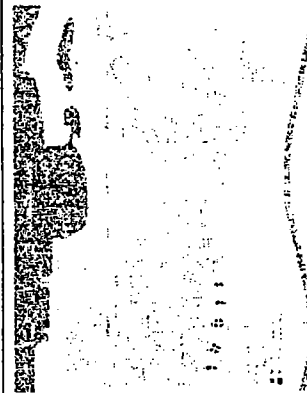
... with a proven track record of world class real estate and gaming development

#### Atlantis, Paradise Island



- Phase I - \$140 million  
Time to construct - 7 months
- Phase II - \$640 million  
Time to construct - 24 months
- Phase III - \$1 billion  
Projected time to construct - 30 months

#### Tiverton



- Total project cost- \$180 million  
Time to construct - 5 years, 4 months  
Jobs created - 300+

#### Mohegan Sun



- Phase I - \$300 million  
Time to design/construct - 12 months
- Phase II - \$1 billion  
Time to design/construct - 36 months

#### Adriaen's Landing, Hartford



- Total project cost - \$775 million  
Selected as Master Developer by the State of Connecticut. 30-acre development includes Connecticut Convention Center, Marriott Hartford Hotel, Retail & Residential

# Agenda

BLB INVESTORS, LINCOLN PARK AND THE STATE OF RHODE ISLAND

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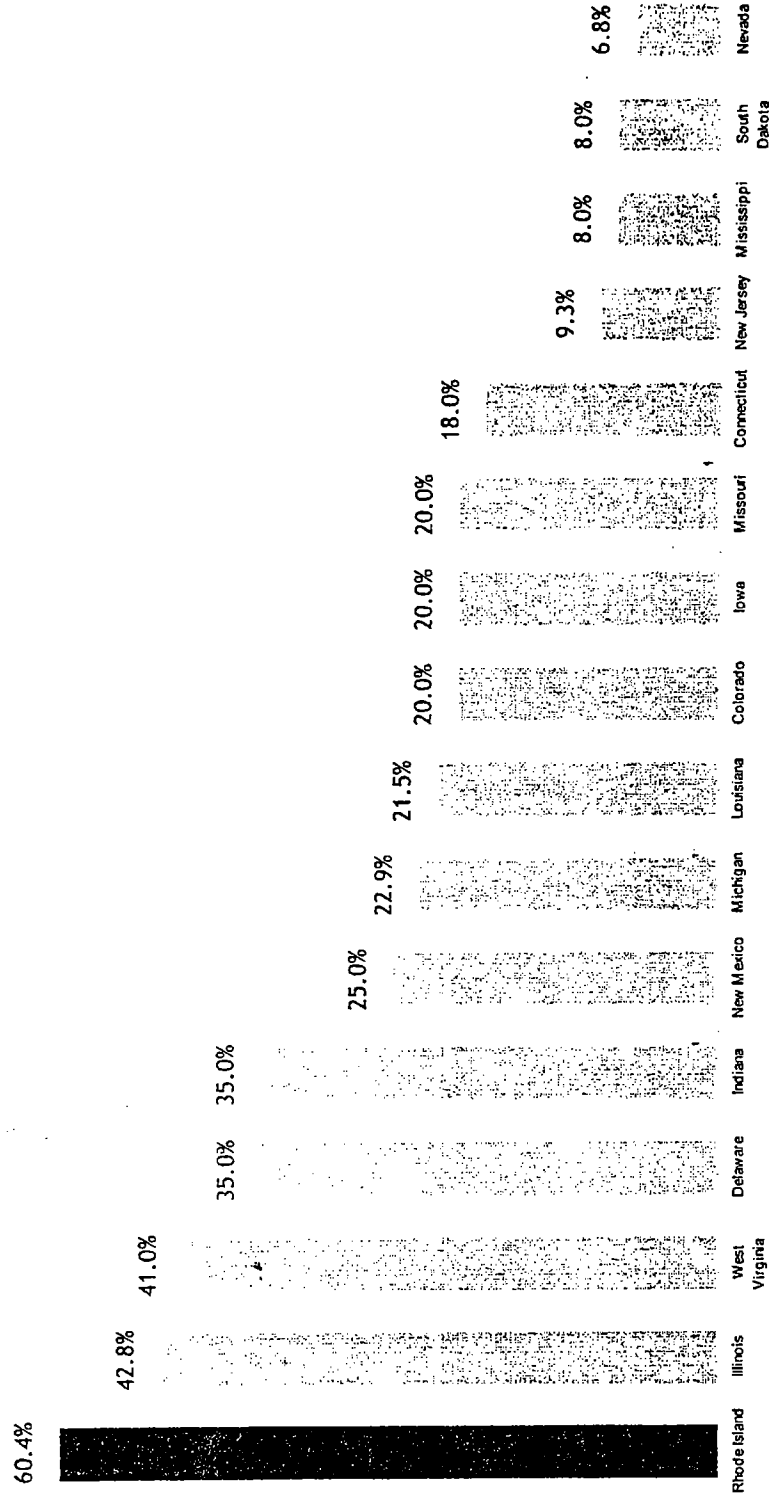
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Impact to the State of Rhode Island

# Lincoln Park update

- Since its inception in 1992, Lincoln Park has generated in excess of \$900 million in receipts to the State of Rhode Island. Over the term of the proposed Revenue Sharing Agreement, BLB projects that the State of Rhode Island will receive in excess of \$5 billion.
- Rhode Island currently has one of the highest gaming tax rates in the United States

Comparable state gaming tax rates



<sup>1</sup> Assumes tax on \$250 million of gross revenue

## Lincoln Park update (cont'd)

- Since Rhode Island's gaming tax rate is not fixed on a long-term basis, the commitment of funds to a renovation and expansion program at the facility is financially precluded
- As a result, Lincoln Park has not been able to address certain operational deficiencies:
  - The facility is in need of repair
  - Food and beverage, retail and other amenities are unattractive
  - Transportation infrastructure issues, including improvements necessary to roads and parking facilities
  - Business opportunities beneficial to Rhode Island-based businesses and attendant tax revenues have been lost
- Alternative facilities outside of Rhode Island have been gaining market share despite the presence of a more convenient facility within a short distance of Providence
- Many Massachusetts and Rhode Island day trippers prefer to drive and spend their disposable income in Connecticut
- Without substantial improvements and expansion, Lincoln Park's revenues will deteriorate over time

# Current facility

- General
  - 225,000-square foot facility situated on 196 acres
  - 72,500-square feet of gaming space
  - 2,543 VLTs
- Food & Beverage
  - Queen of Clubs Dining Room - 284 seats
  - CityScapes Café - 110 seats
  - 7's Bar & Grille - 70 seats
  - Three-vendor food court - 30 seats
  - BlackJack Bar & Café - 32 seats
  - Three Dunkin Donut kiosks
  - Three general concession stands
  - Bob's Bar - 50 seats
  - 7's Bar & Grille - 24 seats at bar
  - CityScapes Bar - 24 seats at bar
  - BlackJack Bar & Café - 24 seats at bar
  - Misc. bars - 24 seats
- Entertainment & Function Space
  - Kobalt - 5,000 square feet, 285 capacity
  - Chairman's Lounge - 3,000 square feet, 175 seated capacity, 300 capacity non-seated
- Pari-Mutuel
  - 2,100-seat grandstand seating area
  - Two pari-mutuel teletheaters - 315 seats with dedicated workstations
  - Scattered seating - 250
- Parking
  - 2,800 paved spots, including 247 dedicated for employees and 350 in valet

## Operational challenges

- Despite the size and scale of the current facility, which consists of 196 acres, 225,000-square feet of public space, and more than 2,800 parking spots, the building was not constructed to effectively house VLTs and the continued growth of the facility
- The facility has become a hodge-podge of sorts, with capital expenditure dollars directed to necessary infrastructure projects, generally tucked away from the patrons' collective eyes. Accordingly, the physical nature of the building continues to be among the biggest impediments to continued growth
- Background of the facility

The facility was constructed in the 1940's (opening in 1948) for an alternative purpose, thoroughbred racing

The facility underwent a minor renovation to accommodate the advent of greyhound racing in the 1970's

The majority of construction materials used, including concrete, cinder block, and steel, are not conducive to renovation
- Despite continued upgrades, the facility can best be described as aged and worn, completely void of enticements needed to effectively compete and sustain continued growth
- Simply introducing new elements, such as technology, into an aged facility is challenging at best and impossible at worst

## Operational challenges (cont'd)

- The facility lacks sufficient means and space, as well as practicality, to enhance or construct guest amenities
  - Low ceilings
  - Ill-placed support beams/columns
  - Narrow confines along the periphery of the building
  - Counter-intuitive placement of entertainment venues (main dining room, Kobalt) on the top floor
- Food and beverage demand is drastically underserved, yet the facility lacks the space to adequately expand - including a dramatically under-sized first floor kitchen and a commissary
- Traffic patterns for both guests and critical operations often overlap due to the ill-fated design of the original building
  - For example, due to space constraints, food and beverage products are routinely delivered directly through the gaming floor - in full view of patrons
- The road design forces patrons to furthest points in the parking lot, creating significant travel distances to the entrances

## Operational challenges (cont'd)

- The valet parking area is a study in flawed design: cars enter and exit from the same point, patrons routinely walk through the lot to access the main entrance, and buses are unable to utilize the area due to the layout
- Entertainment opportunities are limited and, due to the building design, are situated on the third floor
- The entrances, initially constructed to house turnstiles, are uninviting and require substantial renovation
- Coupled with the lack of industry staples (player tracking, TITO technology, etc.), Lincoln Park currently competes in the marketplace with significant shortcomings



## Proposed development project summary

- BLB will commit a minimum of \$125 million of investment with the goal of making Lincoln Park an attractive facility that can be cross-marketed with Providence and local businesses
- The proposed development is expected to include:
  - An improved offering to existing customers of the facility
  - Food court
  - Buffet
  - One high-end restaurant
  - Potential for other restaurants to be operated by third parties
  - Parking structure to improve current parking facility
  - New road infrastructure to limit congestion and improve access, to the benefit of the local community

# Summary of development costs

- The following summarizes the cost assumptions associated with the proposed development and provision of 4,752 VLT positions



	(\$ mm)
New construction to accommodate additional VLTs and associated support and amenity space (approximately 160,000 s.f. of new construction of which 84,000 s.f. is gaming space)	\$61.0
Infrastructure improvements:	
On-Site improvements	\$13.0
Parking structure	28.0
Existing building upgrades	23.0
	\$ 64.0
Total	\$125.0

## Project description

### Lincoln Park project description

- The proposed development will consist of two phases that will be developed simultaneously over a 12 to 15 month period
- The first phase of the project will bring the gaming capacity of the existing facility to 3,002 VLTs and provide necessary enhancements to the infrastructure accommodating the increased activity on site
- The second phase of the development will be a themed project providing new construction for a gaming area to house an incremental 1,750 VLT units and include the repositioned 3,002 units
- The second phase will also add much needed dining areas, facility support and back-of-house functionality to Lincoln Park
- Upon completion, the redevelopment of Lincoln Park will provide a more attractive and improved experience for patrons
  - Improved infrastructure access to the facility via road improvements
  - Better amenities, including enhanced food and entertainment options
  - Infrastructure improvements that will improve safety and ensure the facility will be able to support existing and future business

## Project description (cont'd)

### Lincoln Park project description - Phase I

- Phase I will enable the facility to meet the demand for 3,002 VLTs
- This phase of the expansion will enable the repositioning of units from cramped locations that are not easily accessible
- The first phase will also mark an important first step in the improvement of amenities offered at the facility
- This will be accomplished through an extensive renovation of the 2nd floor of the facility
  - Currently dedicated to the live and simulcast racing patron, the 2nd floor will accommodate both gaming and racing patrons
  - Approximately 500 VLTs are expected to be placed on the redesigned 2nd floor
- Improvements to the exterior of the building will introduce patrons to the theme of the facility
  - New entrance canopies will serve as markers for the entrances
- Traffic patterns and parking areas will be refined to provide separate valet, general patron and bus traffic entrances

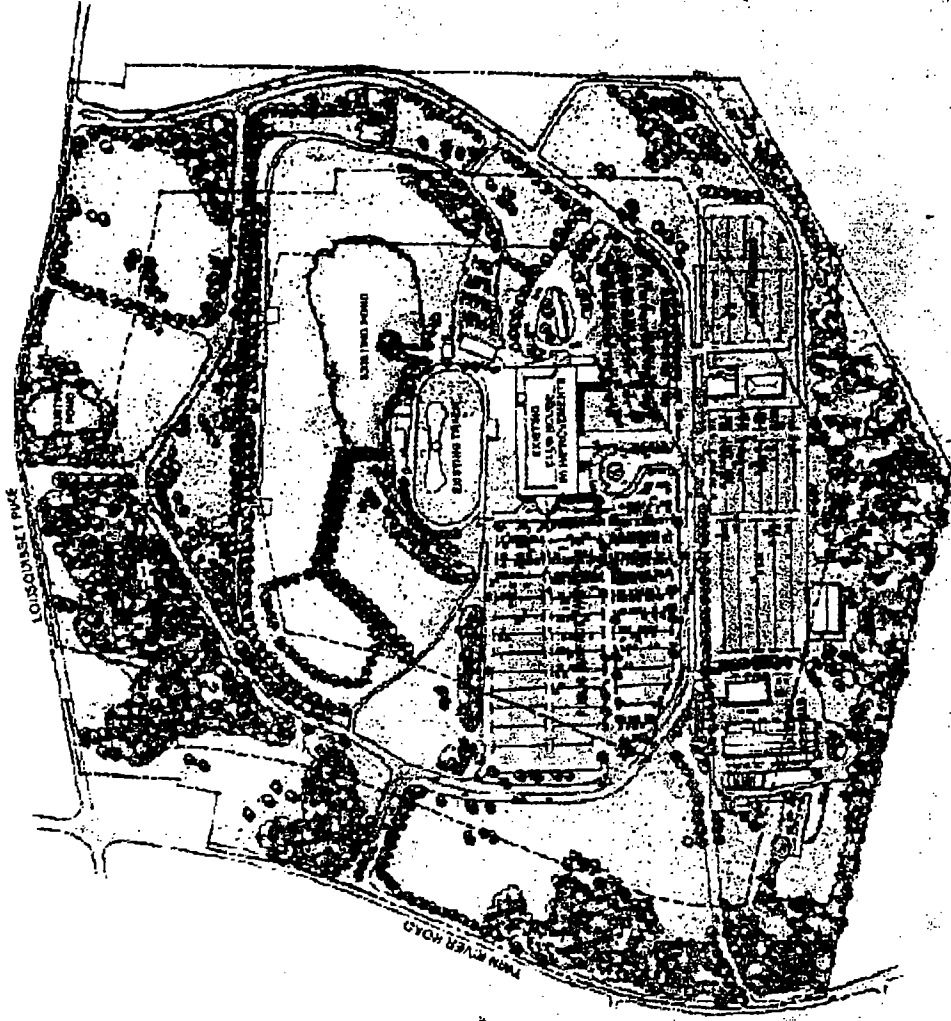
## Project description (cont'd)

### Lincoln Park project description - Phase II

- Development of Phase II of the project will allow for an expression of the theme throughout the entire facility while providing new construction for a gaming area for the incremental and repositioned VLTs, new dining areas, support/back-of-house and additional facilities and entertainment amenities
- VLTs will be consolidated on the 1st floor with greater floor space provided for back-of-house services that can remain "out of sight" to the patrons
- Food and beverage enhancements will include a full-scale food-court with the capacity for 250 seats, a buffet style experience with capacity for 350 seats, and a stand-alone high-end restaurant
- In addition, we anticipate two separate food and beverage facilities will be leased to third party operators
- The exterior of the new addition will feature similarly-themed entrance features to those established in Phase I
- Phase II will complete the complex with the addition of a parking structure that will enter directly into the gaming area on the second level

## Phase 1: Proposed site plan

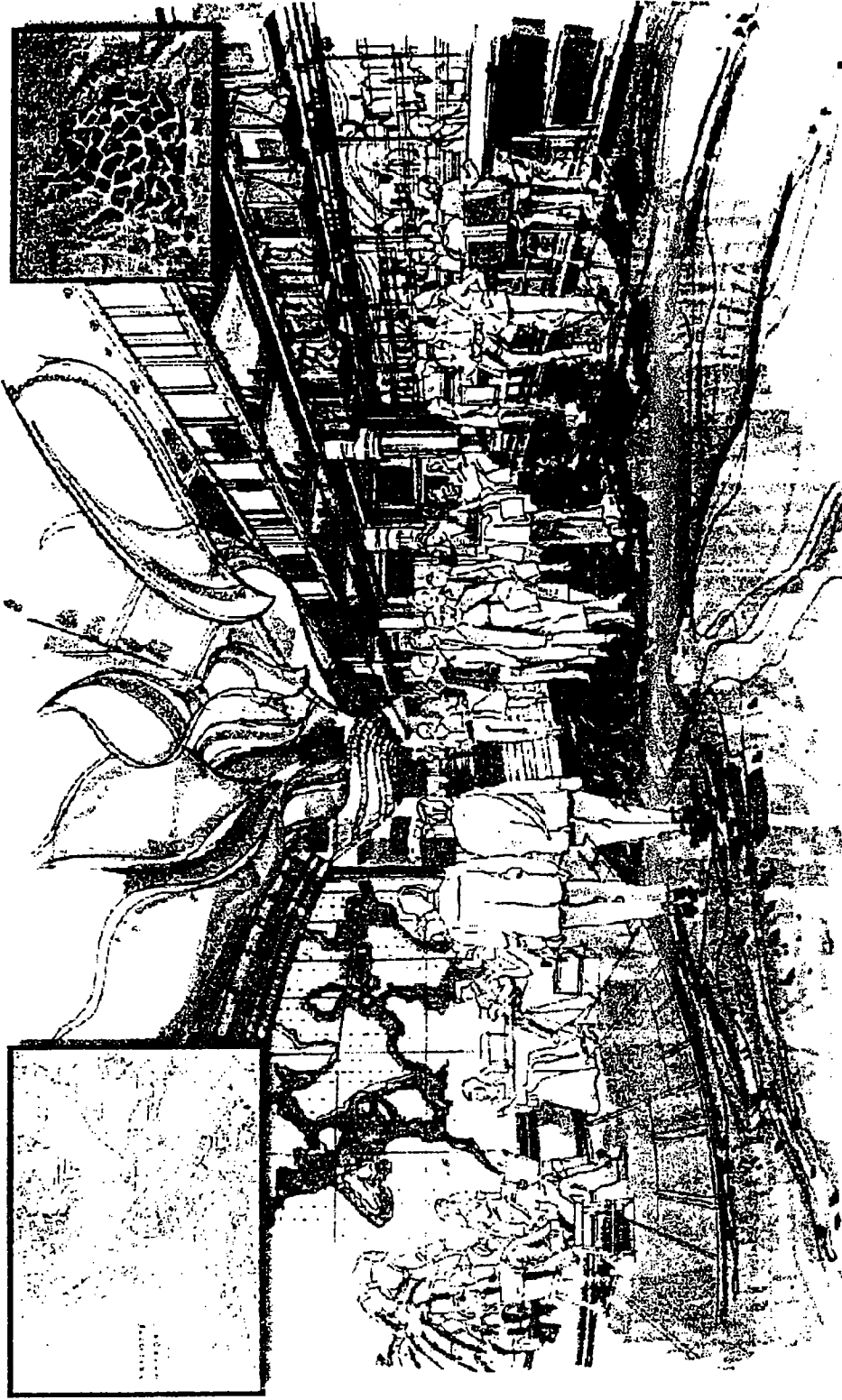
Lincoln Park proposed site plan



OVERVIEW OF THE PROJECT

# Interior Design

# Lincoln Park Interior Design Concept



**Letter, Clark & Ferguson Architects, Inc.**  
 Planning | Administration | Construction | Contract Review

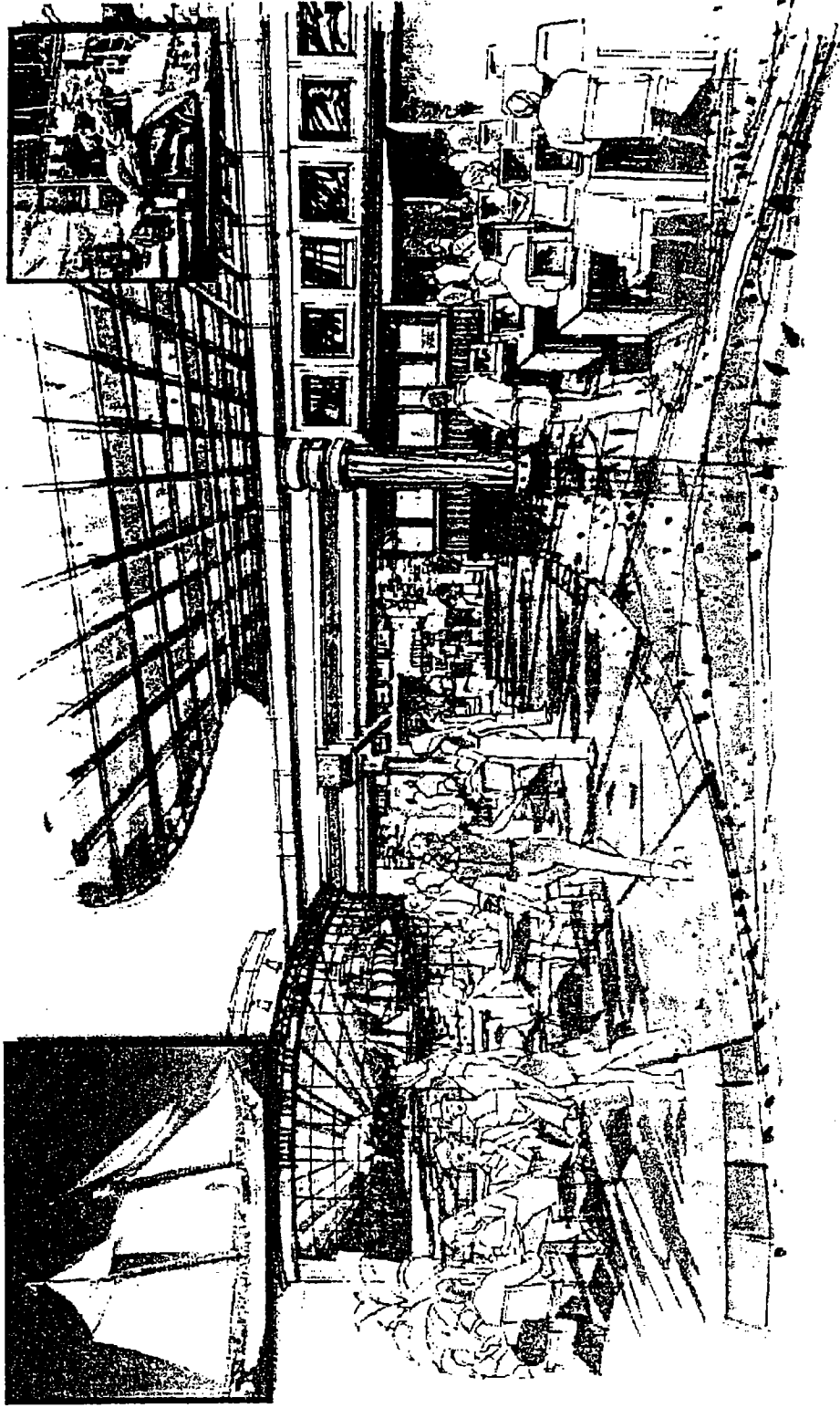
BLB Investors, LLC

**Lincoln Park**  
Honey • Butter • Cream

phase 1, interior view at sports bar

# Interior Design

Lincoln Park Interior Design Concept



Jeffer, Quack & Espersen Architects, Inc.  
ARCHITECTS | INTERIORS | LANDSCAPE ARCHITECTS

BLB Investors, LLC

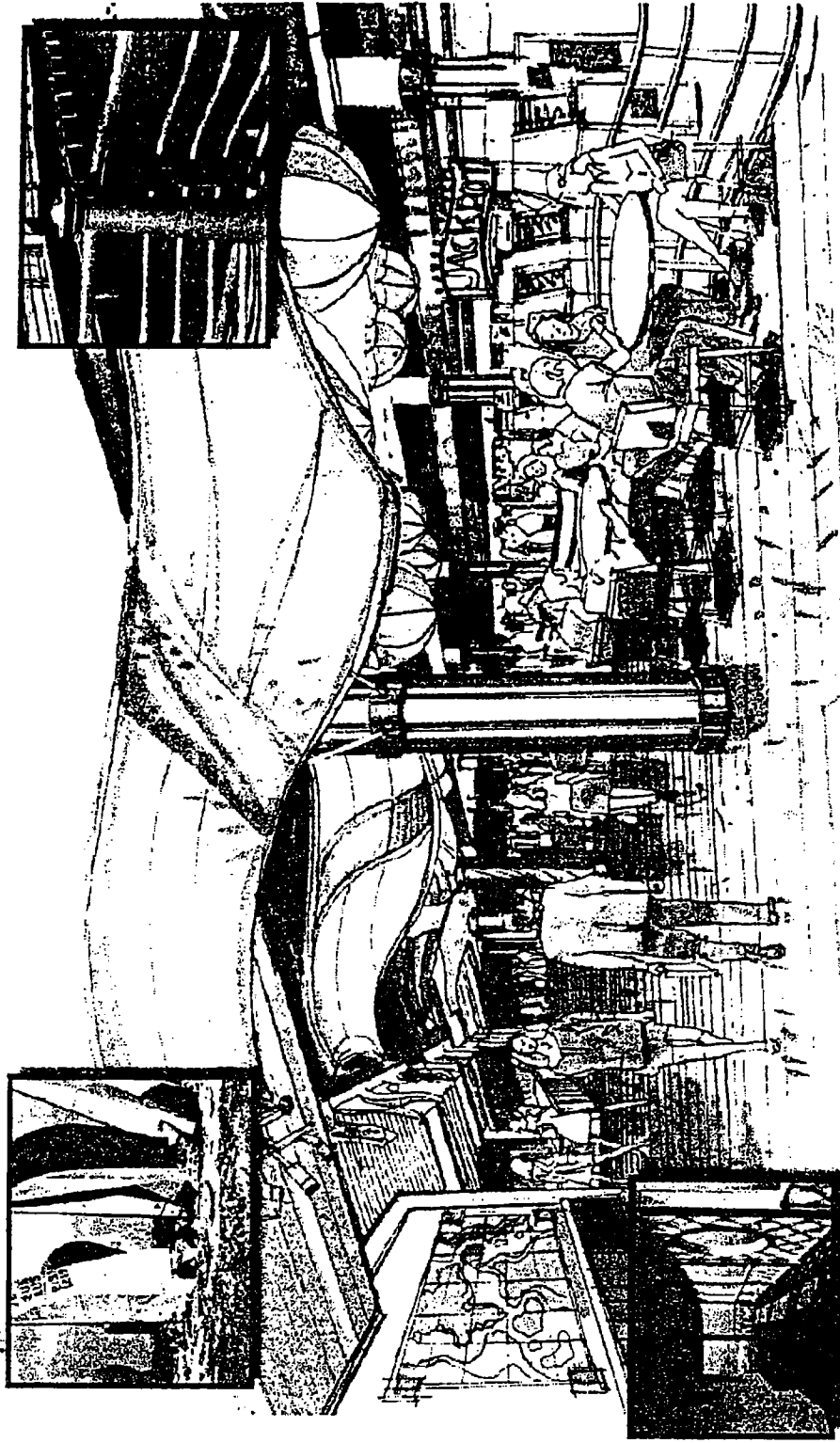
Lincoln Park  
COMMUNITY | RECREATION | LIBRARY

phase 1, interior view



# Interior Design

Lincoln Park Interior Design Concept



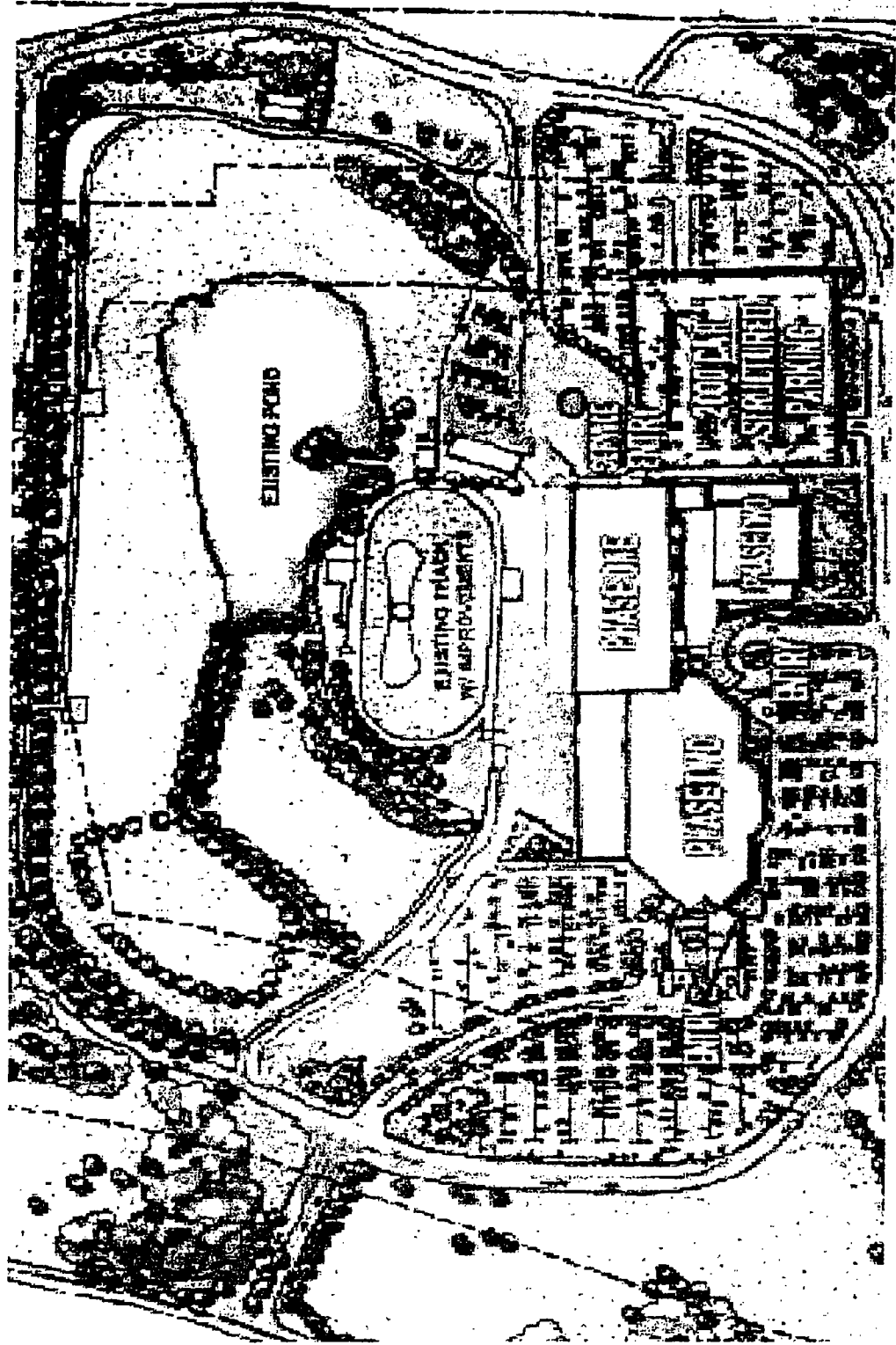
Johanna Cook & Associates Architects, Inc.  
Architects | Interiors | Landscape | Construction

BLB Investors, LLC

Lincoln Park  
gaming | retail | dining

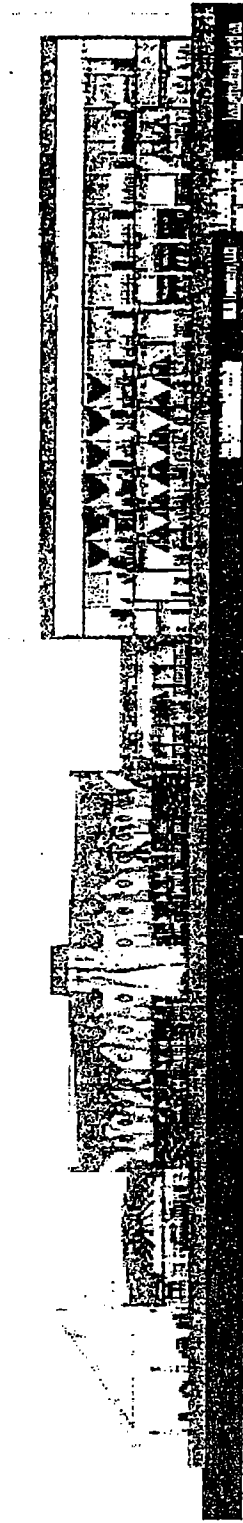
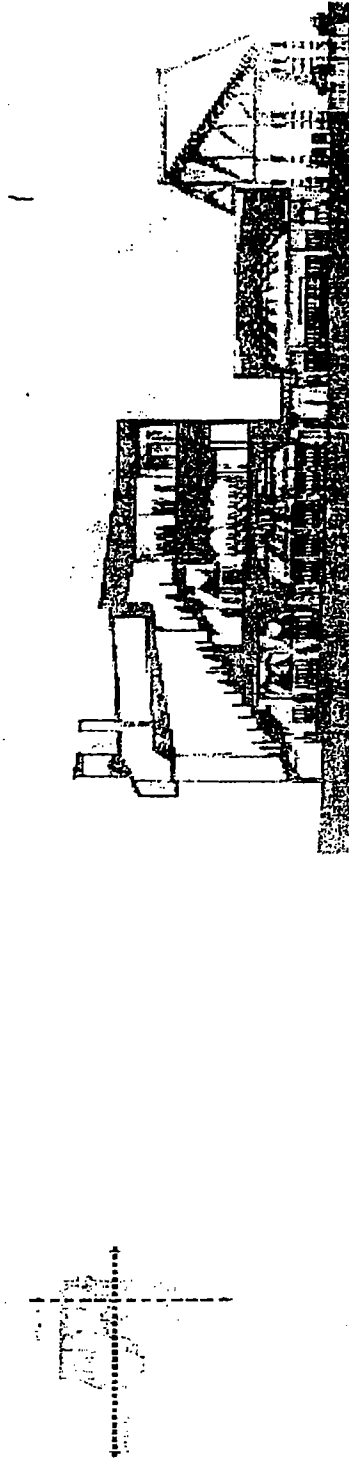
phase 1, interior view at boardwalk

## Lincoln Park proposed site plan



# Design Concept

Lincoln Park Design Concept



# Benefits of development to Rhode Island and local community

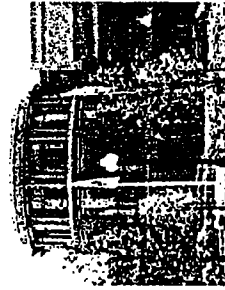
## Cross-marketing opportunities

- Partnerships with existing downtown Providence hotels will draw out-of-state support and increase revenues for hotel property operators
- Partnership with Providence convention center
  - Redirect bus tour programs from competing facilities to Lincoln Park
  - Attract group business to Lincoln Park
- Advisory committee

## Economic impact

- Additional tax revenue for the State of Rhode Island
- Additional construction jobs
- Maintain and add permanent jobs
- Additional revenue for the Town of Lincoln
- Additional business opportunities for local concerns
- In BLB, the addition to Rhode Island's business community of a well-capitalized, good corporate citizen

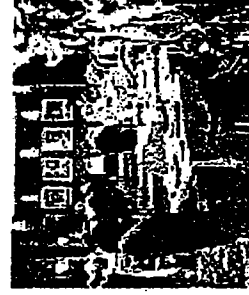
## Rhode Island highlights



Convention Center



The Westin Hotel



Agora Restaurant



Convention Center

# Agenda

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# Executive summary of proposed Revenue Sharing Agreement

BLB will use its broad experience in gaming, development and "state of the art" management to transform Lincoln Park into a racino and greyhound track that Rhode Islanders can be proud of.

## How Rhode Island Wins:

- BLB invests \$560 million in this community facility - including at least \$125 million in much-needed improvements and \$435 million to acquire Lincoln Park
- Invest \$475 million to protect existing state revenue and 800 jobs. Invest an additional \$125 million to create up to 1200 construction jobs and 500 additional permanent jobs. Total investment is \$560 million and 1300 permanent jobs.
- Upon the acquisition of the US entities of Wembley plc by BLB, the number of authorized video lottery terminals at Lincoln Park will be increased to 4,752 and the following allocation of video lottery net terminal income will commence and remain in place for a period of 18 years

With respect to the existing 3,002 authorized video lottery terminals, the State of Rhode Island will continue to receive 60.4% of net terminal income

With respect to the additional 1,750 authorized video lottery terminals, the State of Rhode Island will receive 63.25%

The Town of Lincoln will continue to receive 1.25% of all net terminal income (from both existing and additional terminals), as well as better access for Lincoln Park from necessary road cuts on Route 146 to be provided by the State

## Executive summary of proposed Revenue Sharing Agreement (cont'd)

- An Advisory Committee for Lincoln Park will be established to consider and advocate programs and initiatives benefiting all constituencies and, in particular, to recommend steps to coordinate the activities of Lincoln Park with State and municipal agencies to maximize the effectiveness of joint marketing campaigns designed to benefit both Lincoln Park and Rhode Island based businesses. The Advisory Committee shall include representatives of the ownership of Lincoln Park, the Town of Lincoln, Rhode Island Convention Center Authority, Greater Providence Chamber of Commerce and the Providence Warwick Convention Visitors Bureau
- A Project Labor Agreement shall be entered into for the construction of any improvements to Lincoln Park
- Limitations on the use of Lincoln Park will be put in place to avoid direct competition with the Rhode Island Convention Center and local hotel owners, and to require coordination of certain events with the Providence Performing Arts Center

### A Sound, Common Sense Agreement:

- With respect to the existing 3,002 authorized video lottery terminals, BLB will receive the same 28.85% of net terminal income as is currently paid to Lincoln Park ownership; and with respect to the additional 1,750 authorized video lottery terminals, BLB will receive 26% of net terminal income
- To ensure the long-term stability of this important venture and a competitive "level playing field" for Lincoln Park:

The agreement will have an 18-year term

Lincoln Park will have parity of operation and taxation in gaming tax rate and all other gaming regulations with all other approved gaming venues in Rhode Island from time to time during the agreement's term

# Agenda

BLB INVESTORS, LINCOLN PARK AND THE STATE OF RHODE ISLAND

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# Lincoln Park expansion - VLT revenue analysis

Revenue					
	FY2006E	FY2007E	FY2008E	FY2009E	FY2010E
Average VLT machines	3,002	4,752	4,752	4,752	4,752
Average daily net terminal income	\$325	\$271	\$290	\$305	\$316
Total VLT revenue (in millions)	\$356	\$471	\$503	\$529	\$547
State revenue - \$ (in millions)	\$215	\$289	\$309	\$325	\$336

Source: BLB estimates

IMPACT TO THE STATE OF RHODE ISLAND

Over the term of the proposed Revenue Sharing Agreement, BLB projects that the State of Rhode Island will receive in excess of \$5 billion.

## Disclaimer

While the information provided herein is believed to be accurate and reliable, BLB Investors does not make any representations or warranties, express or implied, as to the accuracy or completeness of such information. The pro forma and estimated financial information contained herein was prepared expressly for use herein and is based on certain assumptions and management's analysis of information available at the time that this document was prepared. There is no representation, warranty or other assurance that any of the projections will be realized.

# Lincoln Park expansion - VLT revenue analysis

## VLT revenue

State Revenue (Millions \$)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
	\$167	\$200	\$215	\$289	\$309	\$325	\$336

Source: BLB estimates

# Lincoln Park: A vital revenue source generating over \$5 billion to the State of RI during the proposed term of the agreement

Current (Annual)      After Expansion (Annual)

## To State

VLT Revenue Tax	\$200M	\$336M
Pari-Mutuel Revenue	\$ 5.0M	will grow
Income Tax	\$ 4.6M	will grow by 38%
Distressed Community Fund	\$ 768K	will grow
Sales Tax	\$ 495K	will grow

## To Lincoln

Property Tax	\$ 685K	will grow
VLT Revenue	\$ 3.4M	\$5.71M
Pari-Mutuel Tax Payment	\$ <u>136K</u>	<u>will grow</u>
Grand Total	\$215.08M	\$350M +

# Lincoln Park: An indispensable economic driver for Rhode Island

IMPACT TO THE STATE OF RHODE ISLAND	
Current	
Jobs	800
Payroll	\$27.5M
Average Salary/Benefit package	\$36K
Purchases	\$10M
After Expansion	
Construction Jobs - 18 months	1,200
Permanent Jobs - increase by 500	1,300
Average Salary/Benefit package	will grow
Purchases	will grow

# Lincoln Park: Proud to support the Rhode Island Community

## Annual Charitable Giving — more than \$557,000

The United Way	YWCA of Northern Rhode Island
Lincoln Days (Town of Lincoln)	Pawtucket Salvation Army
The Tomorrow Fund	Pawtucket YMCA
RI Community Food Bank	Pawtucket Day Child Development Center
Saylesville Playground	Cumberland - Lincoln Boys and Girls Club
Fairlawn Early Learning Center	Blackstone Valley Advocacy Center
Providence Journal Santa Fund	Pawtucket Soup Kitchen
The Samaritans of Rhode Island	St. Matthew Lutheran Church Food Pantry
Elizabeth Buffum Chase House	The Milk Fund - Woonsocket
Meals on Wheels of Rhode Island	Because He Lives - Woonsocket
Institute for the Study and Practice of Nonviolence	New Hope Emergency Shelter of Pawtucket & Central Falls
Visiting Nurse Association of Rhode Island	East Providence Boys and Girls Club
St. Mary's Home for Children	St. Anthony's Golf Tournament
Mt. Hope Neighborhood Association	RBI - Pawtucket
Mt. Hope Learning Center	Pawtucket Boys & Girls Club
Providence City Arts for Youth	RI Cancer Council
Caritas House	Former Legislative Scholarship Fund
Advent House	NEARI Golf Tournament
RI Family Shelter	YMCA Pet Walk - Lincoln
Corrina's Angels	Chase Farms Outdoor Concert Series - Lincoln
San Miguel School	Literacy Center - Manville
St. Edwards Church Food and Wellness Center	Christopher Brooks Scholarship Fund
Matthew 25 HIV/AIDS Ministry, Inc	Light House for Youth
The Times Merry Christmas Fund	Fund for John Joseph
Town of Lincoln Holiday Food Basket Program	Camp Ruggles
Town of Lincoln Adopt a Family Program	St. Anthony's Kitchen Ministries
Woonsocket YMCA	Smithfield Food Pantry

## **EXHIBIT E**

### **LIST OF ENTITIES AND INDIVIDUALS INVESTIGATED BY NARDELLO**

- Madison Farrand Grose
- Howard Brett Kerzner
- Solomon Kerzner
- Barry Stuart Sternlicht
- Len Wolman
- George Papanier
- Craig Sculos
- Michael Cardello
- Mark Wolman
- Alan Angel
- Del J. Lauria
- William C. Murtha
- Anne Robertson
- Richard Slavik
- Stephen F. Slavik
- Richard Levine
- Paul O'Neil
- George Markantonis
- Tobin Prior
- Monica Digilio
- Sorin Zdrahal

- Jim Boocher
- Jeff Dishner
- BLB Investors, L.L.C.
- Kerzner Investments Acquisitions Limited
- Kerzner Investments BLB, Inc.
- Kerzner International
- Kerzner Interactive (IOM) Limited
- Kerzner Interactive (UK) Limited
- Kerzner Interactive Services Limited
- Kerzner Northampton Limited
- Kerzner Casino Holdings Limited
- Kerzner International Development Limited
- Kerzner International Management (UK) Limited
- Kerzner International Marketing (UK) Limited
- Kerzner Investments Connecticut Limited
- Kerzner International North America
- Kerzner Interactive Limited
- Paradise Enterprises Limited
- Societe De Participation Et D'Investissements Dans Le Casino
- Sun Casinos Limited
- Sun International Investments Limited
- Trading Cove Associates
- Starbell Investors, L.L.C.
- Kerzner International Limited

- LMW Investments, Inc.
- Slavik Suites, Inc.
- SOF-VI U.S. Holdings, L.L.C.
- Starwood Global Opportunity Fund VI-A, L.P.
- Starwood Global Opportunity Fund VI-B, L.P.
- Starwood U.S. Opportunity Fund VI-D, L.P.
- Waterford Development, L.L.C.
- Waterford Gaming Investments, L.L.C.
- Waterford Group, L.L.C.
- Waterford Group Investments, L.L.C.



## **EXHIBIT F**

### **SUPPLEMENTAL LIST INVESTIGATED BY NARDELLO**

- BLB Investors, L.L.C.
- Kerzner Investments Acquisitions Limited
- Kerzner Investments BLB, Inc.
- Starbell Investors, L.L.C.
- Waterford Development, L.L.C.
- Madison Farrand Grose
- Howard Brett Kerzner
- Solomon Kerzner
- Barry Stuart Sternlicht
- Len Wolman
- George Papanier
- Kerzner International Limited
- LMW Investments, Inc.
- Slavik Suites, Inc.
- SOF-VI U.S. Holdings, L.L.C.
- Starwood Global Opportunity Fund VI-A, L.P.
- Starwood Global Opportunity Fund VI-B, L.P.
- Starwood U.S. Opportunity Fund VI-D, L.P.
- Waterford Group, L.L.C.
- Waterford Group Investments, L.L.C.

**EXHIBIT G**  
**REPRESENTATION LETTERS**

STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION

-----X  
:  
In the Matter of the Facility Permit Transfer :  
Application of BLB Investors, LLC, :  
:  
:  
:  
:  
:  
-----X

AFFIRMATION

STATE OF New York )  
COUNTY OF New York ) ss.

Solomon Kerzner, being duly sworn deposes and says:

1. I am the Chairman of Kerzner International Limited.
2. In 2004 I provided information that was incorporated into a Facility Permit Transfer Application (the "Application") submitted by BLB to the State of Rhode Island Department of Business Regulation (the "Department").
3. In April 2004 I completed a Multi-Jurisdictional Personal History Disclosure Form that was made available to the Department and the Rhode Island Lottery Commission in connection with the Application submitted by BLB to the Department.
4. On July 1, 2004 I provided testimony at an interview conducted by Willkie Farr & Gallagher LLP on behalf of the Department.
5. Before a hearing could be conducted with respect to the BLB Application, the Application was placed on inactive status.

6. In early March of 2005 the BLB Application was amended and placed back on active status.

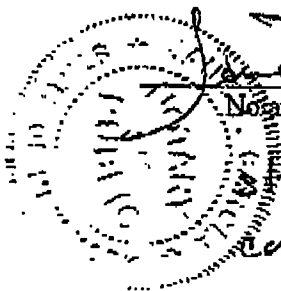

7. In connection therewith, I have had an opportunity to review the initial Multi-Jurisdictional Personal History Disclosure Form I made available to Department and the Lottery Commission as well as the information I submitted in connection with the Application.

8. I hereby affirm that there have been no material changes to any of the information that I provided therein.

9. I further affirm that the testimony I provided with respect to my suitability for licensure in Rhode Island remains true and accurate as of the date of this affirmation.

  
Solomon Kerzner

Sworn to before me on this  
13<sup>th</sup> day of May, 2005

  
  
Notary Public  
State of New York  
County of New York

JANE F. GARCIA  
Notary Public, State of New York  
No. 01645023710  
Qualified in New York County  
Commission Expires May 18, 2006

STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION

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In the Matter of the Facility Permit Transfer :  
Application of BLB Investors, LLC, :  
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AFFIRMATION

STATE OF New York )

COUNTY OF New York )

ss.

Howard Kerzner, being duly sworn deposes and says:

1. I am Chief Executive Officer of Kerzner International Limited. I am also Co-Chief Executive Office of BLB Investors, LLC ("BLB").
2. In 2004 I provided information that was incorporated into a Facility Permit Transfer Application (the "Application") submitted by BLB to the State of Rhode Island Department of Business Regulation (the "Department").
3. In April 2004 I completed a Multi-Jurisdictional Personal History Disclosure Form that was made available to the Department and the Rhode Island Lottery Commission in connection with the Application submitted by BLB to the Department.
4. On July 1, 2004 I provided testimony at an interview conducted by Willkie Farr & Gallagher LLP on behalf of the Department.

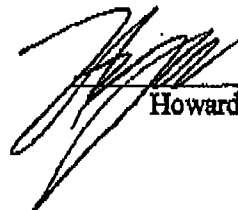
5. Before a hearing could be conducted with respect to the BLB Application, the Application was placed on inactive status.

6. In early March of 2005 the BLB Application was amended and placed back on active status.

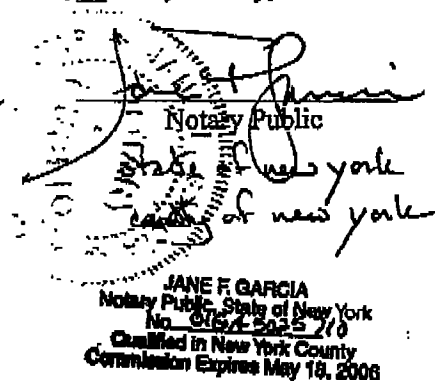
7. In connection therewith, I have had an opportunity to review the initial Multi-Jurisdictional Personal History Disclosure Form I made available to Department and the Lottery Commission as well as the information I submitted in connection with the Application.

8. I hereby affirm that there have been no material changes to any of the information that I provided therein.

9. I further affirm that the testimony I provided with respect to my suitability for licensure in Rhode Island remains true and accurate as of the date of this affirmation.

  
Howard Kerzner

Sworn to before me on this  
13<sup>th</sup> day of May, 2005

  
Notary Public  
State of New York  
Jane F. Garcia  
Notary Public, State of New York  
No. 016245025 2/0  
Qualified in New York County  
Commission Expires May 18, 2006

STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION

----- X

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In the Matter of the Facility Permit Transfer :  
Application of BLB Investors, LLC, :

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AFFIRMATION

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----- X

STATE OF CT )

)

COUNTY OF NEW LONDON )

ss. WATERFORD, 5-16-05

George Papanier, being duly sworn deposes and says:

1. I am the Chief Operating Officer of BLB Investors, LLC ("BLB").
2. In 2004 I provided information that was incorporated into a Facility Permit Transfer Application (the "Application") submitted by BLB to the State of Rhode Island Department of Business Regulation (the "Department").
3. In 2004 I completed a Multi-Jurisdictional Personal History Disclosure Form that was made available to the Department and the Rhode Island Lottery Commission in connection with the Application submitted by BLB to the Department.
4. On June 28, 2004 I provided testimony at an interview conducted by Willkie Farr & Gallagher LLP on behalf of the Department.
5. Before a hearing could be conducted with respect to the BLB Application, the Application was placed on inactive status.

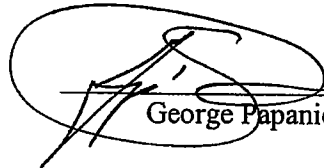
6. In early March of 2005 the BLB Application was amended and placed back on active status.

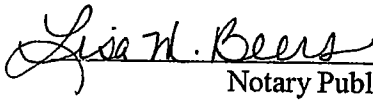
7. In connection therewith, I have had an opportunity to review the initial Multi-Jurisdictional Personal History Disclosure Form I made available to Department and the Lottery Commission as well as the information I submitted in connection with the Application.

8. I hereby affirm that there have been no material changes to any of the information that I provided therein.

9. I further affirm that the testimony I provided with respect to my suitability for licensure in Rhode Island remains true and accurate as of the date of this affirmation.

Sworn to before me on this  
16<sup>th</sup> day of May, 2005

  
George Papanier

  
Notary Public

**LISA M. BEERS**  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES MAY 31, 2005



STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION

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In the Matter of the Facility Permit Transfer  
Application of BLB Investors, LLC,

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AFFIRMATION

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STATE OF Connecticut

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ss. Waterford

COUNTY OF New London

Len Wolman, being duly sworn deposes and says:

1. I am Chairman and Chief Executive Officer of the Waterford Group. I am also Co-Chief Executive Office of BLB Investors, LLC ("BLB").

2. In 2004 I provided information that was incorporated into a Facility Permit Transfer Application (the "Application") submitted by BLB to the State of Rhode Island Department of Business Regulation (the "Department").

3. In April 2004 I completed a Multi-Jurisdictional Personal History Disclosure Form that was made available to the Department and the Rhode Island Lottery Commission in connection with the Application submitted by BLB to the Department.

4. On June 28, 2004 I provided testimony at an interview conducted by Willkie Farr & Gallagher LLP on behalf of the Department.

5. Before a hearing could be conducted with respect to the BLB Application, the Application was placed on inactive status.

6. In early March of 2005 the BLB Application was amended and placed back on active status.

7. In connection therewith, I have had an opportunity to review the initial Multi-Jurisdictional Personal History Disclosure Form I made available to Department and the Lottery Commission as well as the information I submitted in connection with the Application.

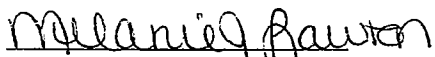
8. I hereby affirm that there have been no material changes to any of the information that I provided therein.

9. I further affirm that the testimony I provided with respect to my suitability for licensure in Rhode Island remains true and accurate as of the date of this affirmation.



Len Wolman

Sworn to before me on this  
13th day of May, 2005

  
Notary Public  
melanie J. Lawton

my comm expires: 11/30/07

STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION

----- X

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In the Matter of the Facility Permit Transfer :  
Application of BLB Investors, LLC, :

:

: AFFIRMATION

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----- X

STATE OF Connecticut )

)

ss.

COUNTY OF Fairfield )

Madison Farrand Grose, being duly sworn deposes and says:

1. I am the a Senior Managing Director and Co-General Counsel of  
Starwood Capital I am also the President of BLB Investors, LLC ("BLB").

2. In March 2004 I provided information that was incorporated into a Facility  
Permit Transfer Application (the "Application") submitted by BLB to the State of Rhode Island  
Department of Business Regulation (the "Department")

3. In April 2004 I completed a Multi-Jurisdictional Personal History  
Disclosure Form that was made available to the Department and the Rhode Island Lottery  
Commission in connection with the Application submitted by BLB to the Department.

4. Before a hearing could be conducted with respect to the BLB Application,  
the Application was placed on inactive status

5 In early March of 2005 the BLB Application was amended and placed back on active status

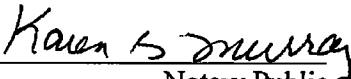
6 In connection therewith, I have had an opportunity to review the initial Multi-Jurisdictional Personal History Disclosure Form I made available to Department and the Lottery Commission as well as the information I submitted in connection with the Application

7. I hereby affirm that there have been no material changes to any of the information that I provided therein.

8 I further affirm that the testimony I provided with respect to my suitability for licensure in Rhode Island remains true and accurate as of the date of this affirmation.

  
Madison Farr and Grose

Sworn to before me on this  
13<sup>th</sup> day of May, 2005

  
Notary Public

**KAREN B. MURRAY**  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES FEB. 28, 2002 7

STATE OF RHODE ISLAND  
DEPARTMENT OF BUSINESS REGULATION

----- X

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In the Matter of the Facility Permit Transfer :  
Application of BLB Investors, LLC, :

:

:

AFFIRMATION

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:

----- X

STATE OF Connecticut

) ss

COUNTY OF Fairfield

Barry Stuart Sternlicht, being duly sworn deposes and says:

1. I am the Chairman of Starwood Hotels and Resorts Worldwide, Inc. and of Starwood Capital Group Global, L.L.C. I am also the Co-Chief Executive Officer of BLB Investors, LLC ("BLB").

2 In March 2004 I provided information that was incorporated into a Facility Permit Transfer Application (the "Application") submitted by BLB to the State of Rhode Island Department of Business Regulation (the "Department").

3 In April 2004 I completed a Multi-Jurisdictional Personal History Disclosure Form that was made available to the Department and the Rhode Island Lottery Commission in connection with the Application submitted by BLB to the Department

4. On July 1, 2004, I provided testimony in an interview conducted by Willkie Farr & Gallagher LLP ("Willkie Farr") on behalf of the Department and in support of BLB's Application

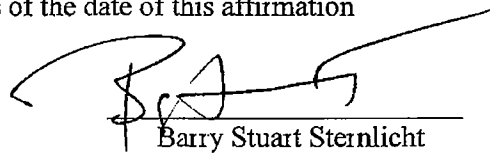
5. Before a hearing could be conducted with respect to the BLB Application, the Application was placed on inactive status.

6. In early March of 2005 the BLB Application was amended and placed back on active status.

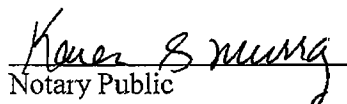
7. In connection therewith, I have had an opportunity to review the initial Multi-Jurisdictional Personal History Disclosure Form I made available to Department and the Lottery Commission as well as the information I submitted in connection with the Application

8. I hereby affirm that there have been no material changes to any of the information that I provided therein.

9. I further affirm that the testimony I provided with respect to my suitability for licensure in Rhode Island remains true and accurate as of the date of this affirmation

  
Barry Stuart Sternlicht

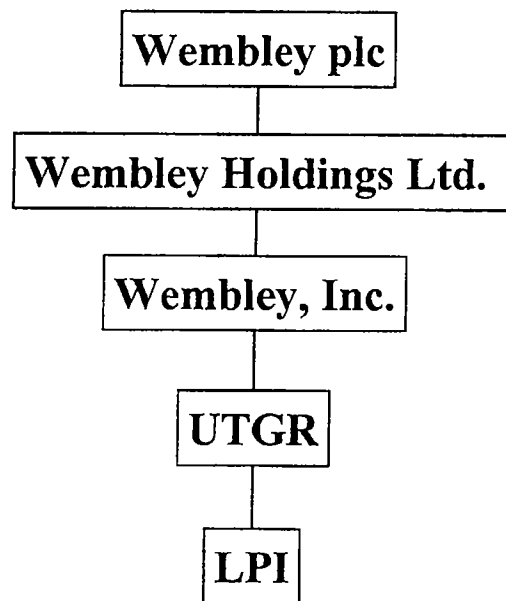
Sworn to before me on this  
13<sup>th</sup> day of May, 2005

  
Notary Public

**KAREN B. MURRAY**  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES FEB. 28, 2007

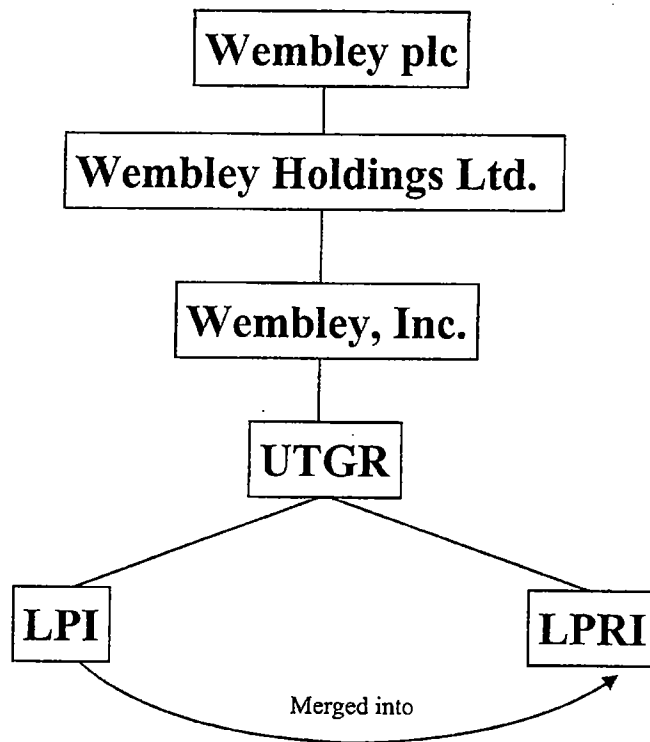
## Exhibit H-1

### PRE-LINCOLN PARK REORGANIZATION



## Exhibit H-2

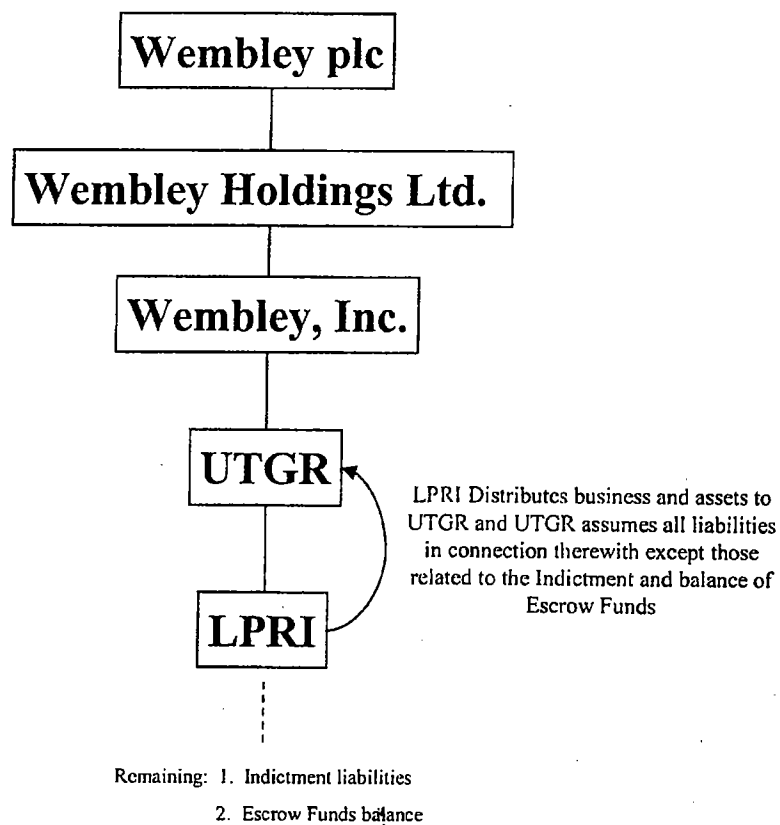
### PRE-LINCOLN PARK REORGANIZATION – STEP 1





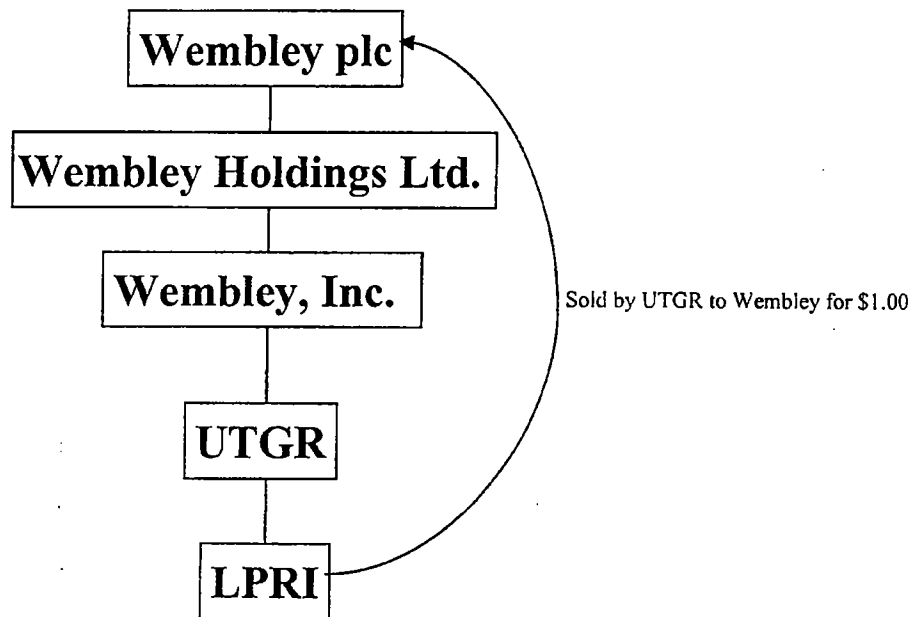
## Exhibit H-3

### LINCOLN PARK REORGANIZATION – STEP 2



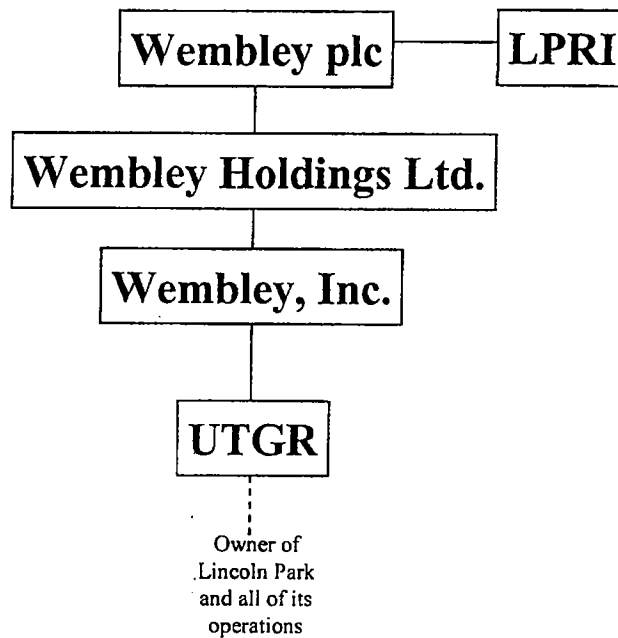
## Exhibit H-4

### LINCOLN PARK REORGANIZATION – STEP 3



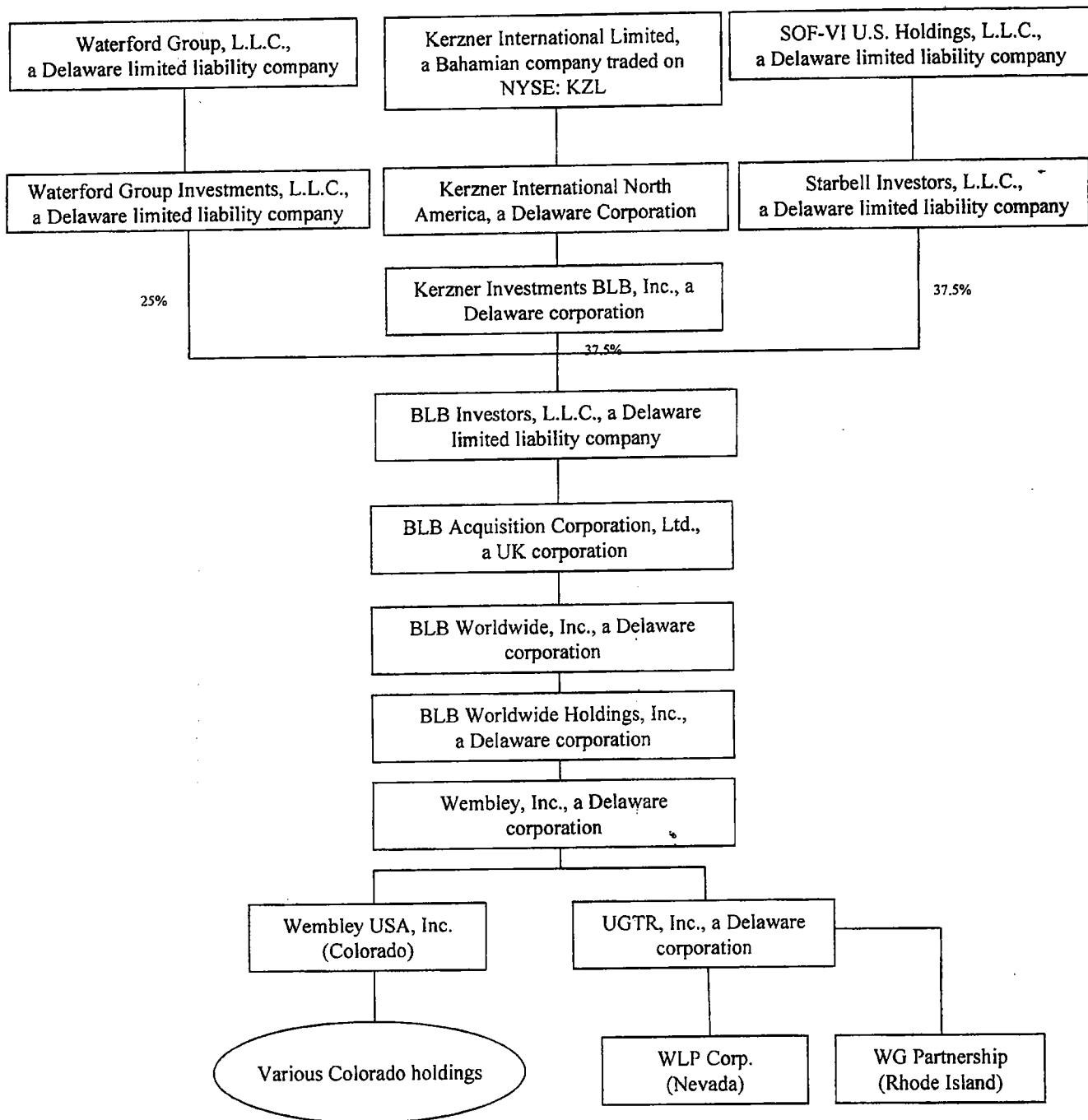
## Exhibit H-5

### POST LINCOLN PARK REORGANIZATION



## Exhibit H-6

### FINAL POST CLOSING ORGANIZATION CHART



## EXHIBIT I

### SUMMARY OF BLB FINANCING COMMITMENT LETTERS

<b>First Priority Credit Facilities</b>	
Borrower	Initially, BLB Worldwide; immediately following the acquisition of Wembley US, UTGR will assume all of BLB Worldwide's rights and obligations as borrower under the First Priority Credit Facilities.
Credit Facilities	<u>First Priority Term Loan Facility</u> - aggregate principal amount of \$245 million  <u>Revolving Credit Facility</u> - aggregate principal amount of \$125 million
Purpose	<u>First Priority Term Loan Facility</u> - available to finance the Current Transaction and to pay related fees and expenses in one draw  <u>Revolving Credit Facility</u> - available post closing of the Current Transaction for working capital and general corporate purposes on a revolving basis
Guarantors	Each of Borrower's direct and indirect domestic subsidiaries (including Wembley US) existing as of the closing date or thereafter acquired (other than Wembley USA, Inc. and its subsidiaries) shall, jointly and severally, guarantee, on a senior secured basis, all obligations of Borrower under the First Priority Credit Facilities and each interest rate protection agreement entered into.
Security	A perfected first priority lien on and pledge of, all of the capital stock of the direct and indirect subsidiaries of Wembley US and Borrower existing on the closing date or thereafter acquired; and a perfected first priority lien on and security interest in all of the tangible and intangible properties and assets of each credit party (including intercompany notes, contract rights, real property interests, trademarks, trade names, equipment and proceeds of the foregoing).
Termination of Commitments	July 31, 2005 if the initial funding under the First Priority Credit Facilities has not occurred.
Maturity	<u>First Priority Loan Facility</u> - sixth anniversary of the closing date  <u>Revolving Credit Facility</u> - fifth anniversary of the closing date
Default Rate	The annual interest rate plus an additional 2%
Interest Rate	The higher of the corporate base rate of interest announced by the administrative agent and the Federal funds rate plus 50 basis points per

	year plus the applicable margin or LIBOR plus the applicable margin, which is related to certain ratings conditions. Additionally, the interest rate is adjusted depending upon certain debt ratios and financing contingencies.
Mandatory Prepayments	Principal and/or interest required to be prepaid with excess cash flow or net cash proceeds in certain circumstances.
Voluntary Prepayments	<u>First Priority Term Loan</u> - at any time in whole or in part  <u>Revolving Credit Facility</u> - unutilized portion may be reduced and loans repaid at any time
Interest Rate Management	Not more than 50% of the amounts outstanding under the First Priority Term Facility and the Second Priority Credit Facility must be hedged for a period not less than 2 years after the closing date.
<b>Second Priority Credit Facility</b>	
Borrower	Initially, BLB Worldwide; immediately following the acquisition of Wembley US, UTGR will assume all of BLB Worldwide's rights and obligations as borrower under the First Priority Credit Facilities.
Credit Facilities	Second priority credit facility in an aggregate principal amount of \$125 million
Purpose	Available to finance the Current Transaction and to pay related fees and expenses.
Guarantors	Each of Borrower's direct and indirect domestic subsidiaries (including Wembley US) existing as of the closing date or thereafter acquired (other than Wembley USA, Inc. and its subsidiaries) shall, jointly and severally, guarantee, on a senior secured basis, all obligations of Borrower under the Second Priority Credit Facility and each interest rate protection agreement entered into.
Security	A perfected second priority lien on and pledge of, all of the capital stock of the direct and indirect subsidiaries of Wembley US and Borrower existing on the closing date or thereafter acquired; and a perfected second priority lien on and security interest in all of the tangible and intangible properties and assets of each credit party (including intercompany notes, contract rights, real property interests, trademarks, trade names, equipment and proceeds of the foregoing).
Termination of Commitments	July 31, 2005 if the initial funding under the Second Priority Credit Facility has not occurred.

Maturity	Seventh anniversary of the closing date
Default Rate	The annual interest rate plus an additional 2%
Interest Rate	The higher of corporate base rate of interest announced by the administrative agent and the Federal funds rate plus 50 basis points per year plus the applicable margin or LIBOR plus the applicable margin, which is adjusted depending upon certain ratings conditions.
Voluntary Prepayments	May not be prepaid prior to the second anniversary of the closing date; thereafter may be prepaid at any time in whole or in part at the option of the Borrower.
Interest Rate Management	Not more than 50% of the amounts outstanding under the First Priority Term Facility and the Second Priority Credit Facility must be hedged for a period not less than 2 years after the closing date.
Prepayment Premiums	All prepayments and refinancings will be accompanied by a premium of 2% of the outstanding principal amount of the facility during year 3, 1% of the outstanding principal amount of the facility during year 4 and none thereafter.